

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Houghton, Michigan	County Houghton
Fiscal Year End 9	Opinion Date 2/16/07	Date Audit Report Submitted to State 3-30-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

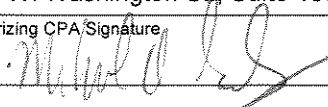
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
		Zip 49855	
Authorizing CPA/Signature 	Printed Name Michael Alan Grentz		License Number 1101027988

**COUNTY OF HOUGHTON, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended September 30, 2006**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Houghton, Michigan as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of Houghton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Houghton, Michigan as of September 30, 2006, and the respective changes in financial position, and cash flows where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a our report dated February 16, 2007, on our consideration of the County of Houghton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 51, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Houghton, Michigan's basic financial statements. The combining and individual non-major fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 16, 2007

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Houghton's financial performance provides an overview of the County's financial activities for the year ended September 30, 2006. Please read it in conjunction with the financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County as a whole increased by \$11,864,057 as a result of this year's operations. Net assets of our business-type activities increased by \$11,340,200, or 66 percent, and net assets of our governmental activities increased by \$523,857, or 13 percent.
- During the year, the County had expenses for governmental activities that were \$8,245,874 and expenses for business type activities that were \$17,561,903.
- The General Fund reported a net fund balance of \$452,898 this \$149,777 higher than the forecasted balance of \$303,121.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 9. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including the legislative, judicial, public safety, recreation and culture, and general services and administration. Property taxes, charges for services and state sources fund most of these activities.

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are reported here.
- Component units – The County includes two separate legal entities in its report – the Western U.P. District Health Department and the Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the Delinquent Tax Revolving Funds.

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 23. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The County as a Whole

Table I provides a summary of the County's net assets as of September 30, 2006 and 2005.

Table 1 Net Assets						
	2006			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$3,750,783	\$8,158,487	\$11,909,270	\$3,033,954	\$6,760,647	\$9,794,601
Capital assets, net	3,832,359	22,571,864	26,404,223	3,702,648	12,300,836	16,003,484
Total Assets	7,583,142	30,730,351	38,313,493	6,736,602	19,061,483	25,798,085
Current liabilities	1,079,286	1,825,200	2,904,486	683,234	1,602,752	2,285,986
Non-current liabilities	2,398,829	371,855	2,770,684	2,472,198	588,869	3,061,067
Total Liabilities	3,478,115	2,197,055	5,675,170	3,155,432	2,191,621	5,347,053
Net Assets:						
Invested in capital assets, net of related debt	1,577,283	22,325,020	23,902,303	1,368,591	12,040,438	13,409,029
Restricted	61,579	-	61,579	46,276	-	46,276
Unrestricted	2,466,165	6,208,276	8,674,441	2,166,303	4,829,424	6,995,727
Total Net Assets	\$4,105,027	\$28,533,296	\$32,638,323	\$3,581,170	\$16,869,862	\$20,451,032

Net assets of the County's governmental activities stood at \$4,105,027. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,466,165.

The \$2,466,165 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$28,533,296. The County can generally only use these net assets to finance continuing operations of Medical Care Facility, the Airport and other enterprise operations.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Changes in Net Assets

	2006			2005		
	Government Activities	Business-Type Activities	Total Primary Government	Government Activities	Business-Type Activities	Total Primary Government
Revenues						
Program Revenues:						
Charges for services	\$1,925,408	\$15,166,968	\$17,092,376	\$1,750,843	\$15,848,097	\$17,598,940
Operating grants and contributions	1,869,143	44,422	1,913,565	1,553,507	-	1,553,507
Capital grants and contributions	-	11,078,082	11,078,082	-	1,797,511	1,797,511
General Revenues:						
Property taxes	4,678,524	1,483,148	6,161,672	4,367,132	-	4,367,132
State Sources	-	-	-	166,372	-	166,372
Interest	326,490	10,384	336,874	193,634	7,790	201,424
Miscellaneous	338,556	750,709	1,089,265	217,474	-	217,474
Total Revenues	9,138,121	28,902,103	26,593,752	8,248,962	17,653,398	25,902,360
Program Expenses:						
Legislative	88,549	-	88,549	98,869	-	98,869
Judicial	1,322,770	-	1,322,770	1,346,834	-	1,346,834
General Government	1,754,090	-	1,754,090	1,359,030	-	1,359,030
Public Safety	2,475,355	-	2,475,355	2,152,191	-	2,152,191
Public Works	34,027	-	34,027	33,742	-	33,742
Health and Welfare	382,358	-	382,358	397,183	-	412,183
Community and Economic Development	220,736	-	220,736	323,452	-	323,452
Recreation and Culture	143,565	-	143,565	142,073	-	142,073
Other	1,797,276	-	1,797,276	1,866,804	-	1,866,804
Interest on Long-Term Debt	27,151	-	27,151	39,349	-	39,349
Medical Care Facility	-	14,375,796	14,375,796	-	13,531,873	13,531,873
Airport	-	1,328,248	1,328,248	-	1,158,038	1,158,038
911	-	505,375	505,375	-	1,309,409	1,309,409
Solid Waste Transfer	-	608,157	608,157	-	602,159	602,159
Airport Water/Sewer	-	62,170	62,170	-	39,537	39,537
Airport Testing	-	1,685	1,685	-	1,688	1,688
Passenger Facility Charge	-	440,019	440,019	-	-	-
Marina	-	240,453	240,453	-	224,150	224,150
Total Expenses	8,245,874	17,561,903	25,807,777	7,759,527	16,866,854	24,626,381
Excess (deficiency) before transfers	892,247	11,340,200	785,975	489,435	786,544	1,275,979
Transfers	(368,390)	368,390	-	108,390	(108,390)	-
Increase (decrease) in net assets	523,857	11,340,200	11,864,057	597,825	678,154	1,275,979
Net assets, beginning	3,581,170	17,193,096	20,774,266	2,983,345	16,191,708	19,175,053
Net Assets, Ending	\$4,105,027	\$28,533,296	\$32,638,323	\$3,581,170	\$16,869,862	\$20,451,032

The County's total revenues were \$26,593,752. The total cost of all programs and services was \$25,807,777 leaving an increase in net assets of \$11,864,057. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the County's governmental activities increased \$523,857 for the year ended September 30, 2006 as opposed to increased \$597,825 in the previous year.

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The net assets of the County's governmental activities increased \$523,857 for the year ended September 30, 2006. \$445,774 of this increase came from the Revenue Sharing Fund. This fund is used to track monies collected under the State of Michigan's plan to temporarily replace State revenue sharing payments. Under this plan, Houghton County billed an additional 2.1 mills during the year ended September 30, 2006 to finance the Fund .

Net assets also increased due to the sale of a conservation easement to the State of Michigan for \$146,200. Governmental expenses remained steady noting mostly inflationary increases.

Table 3 presents the cost of each of the five largest programs – Public Safety, General Services and Administration, Other Functions, Judicial and Health/Welfare – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Public Safety	\$2,475,355	\$1,660,642
General Government	1,797,273	1,774,759
Other Functions	1,754,090	264,001
Judicial	1,322,770	147,805
Health and Welfare	382,358	309,671

Business-type Activities

During the year ended September 30, 2006, the net assets of the County's business type activities increased by \$11,340,200 as opposed to an increase of \$678,154 in the previous year. This increase was due primarily to the \$11,078,082 of Federal and State grant revenues received by the Airport Fund in 2006 for equipment purchases and construction projects. These funds were actually received over the course of the last number of years but were not recognized for accounting purposes until the projects were completed.

THE COUNTY'S FUNDS

For the year ended September 30, 2006, the County's governmental funds reported a combined fund balance increase of \$202,252 resulting in a total fund balance of \$1,810,200 as of September 30, 2006.

As noted above, the increase is due primarily to the sale of a conservation easement and the increase in the Revenue Sharing Fund.

General Fund Budgetary Highlights

Over the course of the year, the County Commissioners may revise the General Fund Budget. With these revisions, actual General Fund expenditures were \$12,286 more than the final amended budget while revenues were \$247,464 more than the final amended budget. Significant fluctuations where actual revenues exceeded budget include; Remonumentation Program reimbursement, prisoner board and interest earned. Significant

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

fluctuations where actual revenues were less than budgeted include operating transfers in from the Delinquent Tax Revolving Fund. Significant fluctuations where actual expenses were more than budgeted include capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 and 2005 respectively, the County had \$16,003,484 and \$14,048,348; invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Schedule of Capital Assets

	2006			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$12,425	\$101,029	\$113,454	\$1,117,565	\$ 42,854	\$1,160,419
Buildings and improvements	2,414,794	6,273,333	8,688,127	1,844,739	6,388,312	8,233,051
Equipment and furnishings	287,575	1,641,885	1,929,460	124,856	1,763,006	1,890,862
Infrastructure	-	14,362,169	14,362,169	-	3,620,870	3,620,870
Construction in progress	12,425	175,488	187,913	615,488	485,794	1,098,282
	\$3,832,359	\$22,571,864	\$26,404,223	\$3,702,648	\$12,300,836	\$16,003,484

During the fiscal year the county's governmental activities purchased \$297,240 in various equipment, software and building improvements. This \$297,240 was paid with \$118,800 in new loans and \$178,440 from fund balance. The governmental activities record \$144,534 in depreciation expense and had a loss of \$22,995 on the disposal of various assets.

During the fiscal year the County's business-type activities purchased \$11,231,793 in airport infrastructure improvements (\$10,720,267), in Medical Care Facility building and equipment improvements (\$501,313) and new radios for 911 (\$10,213). This \$11,231,793 was paid with \$10,720,267 in contributed capital grants and \$511,526 from fund equities. The business-type activities recorded \$960,769 in depreciation expense.

Debt

At the end of fiscal year 2006 and 2005 respectively, the County had \$2,501,920 and \$2,802,308; in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Schedule of Long-Term Debt

	2006			2005		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
General Obligation Bonds	\$1,325,000	\$-	\$1,325,000	\$1,795,000	\$-	\$1,795,000
Contracts and notes payable	930,076	246,844	1,176,920	539,057	468,251	1,007,308
	\$2,255,076	\$246,844	\$2,501,920	\$2,334,057	\$468,251	\$2,802,308

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

During the fiscal year, the County issued new debt of \$118,800 and record principal payments of \$419,188.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the County's budget for the year ending September 30, 2007, the current economic health of the State of Michigan continued to be of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect any area within Houghton County that receives revenue from the State.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Controller's Office at Houghton County Courthouse, Houghton, Michigan 49931.

COUNTY OF HOUGHTON, MICHIGAN

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS			Component
			Units
Current Assets:			
Cash and cash equivalents	\$ 1,366,684	\$ 893,836	\$ 2,260,520
Investments	-	1,910,874	1,910,874
Investments - restricted	-	2,725,729	2,725,729
Receivables (net)	2,193,625	2,348,474	4,542,099
Primary government internal balances	140,264	(136,791)	3,473
Inventory	-	213,236	213,236
Prepaid expenses and other assets	50,210	203,129	253,339
TOTAL CURRENT ASSETS	3,750,783	8,158,487	11,909,270
Non-current assets:			
Capital asset - net of accumulated depreciation	3,832,359	22,571,864	26,404,223
Total Capital Assets	3,832,359	22,571,864	26,404,223
TOTAL NON-CURRENT ASSETS	3,832,359	22,571,864	26,404,223
TOTAL ASSETS	7,583,142	30,730,351	38,313,493
LIABILITIES:			
Current Liabilities:			
Accounts payable	501,224	608,681	1,109,905
Accrued payroll liabilities	33,451	125,429	158,880
Accrued interest payable	25,423	-	25,423
Compensated absences	147,634	180,998	328,632
Current portion of bonds and notes payable	200,350	227,548	427,898
Deferred revenue	171,204	682,544	853,748
TOTAL CURRENT LIABILITIES	1,079,286	1,825,200	2,904,486
Non-current Liabilities:			
Compensated absences	344,103	352,559	696,662
Bonds and notes payable	2,054,726	19,296	2,074,022
TOTAL NON-CURRENT LIABILITIES	2,398,829	371,855	2,770,684
TOTAL LIABILITIES	3,478,115	2,197,055	5,675,170
NET ASSETS			
Invested in capital assets net of related debt	1,577,283	22,325,020	23,902,303
Restricted	61,579	-	61,579
Unrestricted	2,466,165	6,208,276	8,674,441
TOTAL NET ASSETS	\$ 4,105,027	\$ 28,533,296	\$ 32,638,323

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Component Units
Primary Government:						
Governmental Activities:						
Legislative	\$ 88,549	\$ -	\$ -	\$ (88,549)	\$ -	\$ -
Judicial	1,322,770	520,854	654,111	(147,805)	-	(147,805)
General government	1,754,090	1,150,510	339,579	(264,001)	-	(264,001)
Public safety	2,475,355	225,382	589,331	(1,660,642)	-	(1,660,642)
Public works	34,027	-	-	(34,027)	-	(34,027)
Health and welfare	382,358	19,919	52,768	(309,671)	-	(309,671)
Community and economic development	220,736	-	120,315	(100,421)	-	(100,421)
Recreation and culture	143,565	-	-	(143,565)	-	(143,565)
Other	1,797,273	-	22,514	(1,774,759)	-	(1,774,759)
Interest on long term debt	27,151	8,743	90,525	72,117	-	72,117
Total Governmental Activities	8,245,874	1,925,408	1,869,143	(4,451,323)	-	(4,451,323)
Business Type Activities:						
Medical Care Facility	14,375,796	12,676,353	-	-	(1,699,443)	(1,699,443)
Airport	1,328,248	914,608	-	-	10,664,442	10,664,442
911	505,375	546,915	44,422	-	85,962	85,962
Solid waste transfer	608,157	666,059	-	-	57,902	57,902
Airport water/sewer	62,170	37,692	-	-	(24,478)	(24,478)
Airport testing	1,685	-	-	-	(1,685)	(1,685)
Passenger Facility Charge	440,019	97,827	-	-	(342,192)	(342,192)
Marina	240,453	227,514	-	-	(12,939)	(12,939)
Total Business Type Activities	17,561,903	15,166,968	44,422	-	8,727,569	8,727,569
TOTAL PRIMARY GOVERNMENT	\$ 25,807,777	\$ 17,092,376	\$ 1,913,565	(4,451,323)	8,727,569	4,276,246
Component Units:						
Western U.P. District Health Department	6,474,436	4,299,029	2,114,563	-	-	(60,844)
Road Commission	4,772,835	25,251	5,696,443	-	-	948,859
TOTAL COMPONENT UNITS	\$ 11,247,271	\$ 4,324,280	\$ 7,811,006	-	-	888,015
General Revenues:						
Taxes				4,678,524	1,483,148	6,161,672
Interest and investment earnings				326,490	10,384	336,874
Miscellaneous				338,556	750,709	1,089,265
Transfers				(368,390)	368,390	-
TOTAL GENERAL REVENUES AND TRANSFERS				4,975,180	2,612,631	7,587,811
CHANGE IN NET ASSETS						
Net assets, beginning of year, as restated				523,857	11,340,200	11,864,057
				3,581,170	17,193,096	20,774,266
NET ASSETS, END OF YEAR				\$ 4,105,027	\$ 28,533,296	\$ 32,638,323
						\$ 11,730,538

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

SEPTEMBER 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,614,646	\$ 1,614,646
Receivables	300,606	32,087	332,693
Taxes receivable	447,012	-	447,012
Due from State	-	30,101	30,101
Loans receivable	-	171,204	171,204
Due from other funds	265,264	43,476	308,740
Prepaid expenses	50,210	-	50,210
TOTAL ASSETS	\$ 1,063,092	\$ 1,891,514	\$ 2,954,606
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash overdraft	\$ 383,214	\$ 11,539	\$ 394,753
Accounts payable	123,298	345,291	468,589
Due to other funds	43,476	-	43,476
Accrued payroll and related	29,814	3,637	33,451
Accrued sick and vacation	30,392	2,541	32,933
Deferred revenue	-	171,204	171,204
TOTAL LIABILITIES	610,194	534,212	1,144,406
FUND BALANCE:			
Restricted	-	61,579	61,579
Unreserved	452,898	1,295,723	1,748,621
TOTAL FUND BALANCE	452,898	1,357,302	1,810,200
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,063,092	\$ 1,891,514	\$ 2,954,606

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

Total Fund Balances for Governmental Funds		\$	1,810,200
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			3,832,359
Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.			1,201,771
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Accrued interest on bonds	\$	25,423	
Current portion of compensated absences		114,701	
Current portion of bonds and notes payable		200,350	
Compensated absences		344,103	
Long-term portion of bonds and notes payable		<u>2,054,726</u>	
			<u>(2,739,303)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u>4,105,027</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 3,599,639	\$ 1,078,885	\$ 4,678,524
Licenses and permits	277,122	-	277,122
Federal sources	15,298	424,875	440,173
State sources	1,152,095	175,970	1,328,065
Local sources	-	100,905	100,905
Charges for services	1,074,973	341,459	1,416,432
Interest	263,917	23,553	287,470
Other revenues	343,376	18,175	361,551
TOTAL REVENUES	6,726,420	2,163,822	8,890,242
EXPENDITURES:			
Legislative	88,549	-	88,549
Judicial	1,303,273	19,497	1,322,770
General government	1,293,301	337,922	1,631,223
Public safety	1,660,278	763,497	2,423,775
Public works	34,027	-	34,027
Health and welfare	2,000	374,071	376,071
Community and economic development	-	220,736	220,736
Recreation and culture	143,565	-	143,565
Other	1,568,583	-	1,568,583
Capital Outlay	311,528	40,202	351,730
Debt service	130,125	98,045	228,170
TOTAL EXPENDITURES	6,535,229	1,853,970	8,389,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	191,191	309,852	501,043
OTHER FINANCING SOURCES (USES):			
Loan proceeds	118,800	-	118,800
Transfers in	832,111	709,217	1,541,328
Transfers out	(909,217)	(875,501)	(1,784,718)
Transfers to component units	(174,201)	-	(174,201)
TOTAL OTHER FINANCING SOURCES (USES)	(132,507)	(166,284)	(298,791)
CHANGE IN FUND BALANCE	58,684	143,568	202,252
Fund balance, beginning of year	394,214	1,213,734	1,607,948
FUND BALANCE, END OF YEAR	\$ 452,898	\$ 1,357,302	\$ 1,810,200

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	202,252
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	297,241	
Depreciation expense	(144,534)	
Gain (loss) on disposal	(22,995)	
		129,712

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(118,800)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	197,781
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	3,238
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(40,523)
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Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The net revenue of the internal service funds are included in governmental activities in the statement of net assets.	150,197
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>523,857</u>
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COUNTY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Business - Type Activities Enterprise Funds				Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,684,597	\$ -	\$ 96,731	\$ 1,781,328	\$ 805,968
Investments	1,910,874	-	-	1,910,874	-
Investments-restricted	2,725,729	-	-	2,725,729	-
Accounts receivable, net	1,000,323	113,898	125,709	1,239,930	-
Accrued interest receivable	-	-	-	-	104,100
Delinquent taxes receivable	-	-	-	-	1,108,515
Due from State	1,108,544	-	-	1,108,544	-
Due from other funds	-	134,296	-	134,296	221,017
Inventory	126,304	80,417	6,515	213,236	-
Prepaid expense	184,406	12,180	6,543	203,129	-
TOTAL CURRENT ASSETS	8,740,777	340,791	235,498	9,317,066	2,239,600
Non-current Assets:					
Capital Assets - net of accumulated depreciation	6,623,170	15,218,174	730,520	22,571,864	-
TOTAL NON-CURRENT ASSETS	6,623,170	15,218,174	730,520	22,571,864	-
TOTAL ASSETS	15,363,947	15,558,965	966,018	31,888,930	2,239,600
LIABILITIES					
Current Liabilities:					
Cash fund overdraft	-	865,484	22,008	887,492	659,177
Accounts payable	451,200	74,545	82,936	608,681	-
Due to others	-	-	-	-	32,635
Due to other funds	-	-	271,087	271,087	346,017
Accrued payroll and related liabilities	117,967	4,163	3,299	125,429	-
Accrued sick and vacation pay	117,520	44,225	19,253	180,998	-
Current portion of long-term debt	-	14,391	213,157	227,548	-
Deferred revenue	667,197	-	15,347	682,544	-
TOTAL CURRENT LIABILITIES	1,353,884	1,002,808	627,087	2,983,779	1,037,829
Non-current Liabilities:					
Accrued sick and vacation pay	352,559	-	-	352,559	-
Bonds and notes payable	-	2,484	16,812	19,296	-
TOTAL NON-CURRENT LIABILITIES	352,559	2,484	16,812	371,855	-
TOTAL LIABILITIES	1,706,443	1,005,292	643,899	3,355,634	1,037,829
NET ASSETS					
Invested in capital assets net of related debt	6,623,170	15,201,299	500,551	22,325,020	-
Unrestricted	7,034,334	(647,626)	(178,432)	6,208,276	1,201,771
TOTAL NET ASSETS	\$ 13,657,504	\$ 14,553,673	\$ 322,119	\$ 28,533,296	\$ 1,201,771

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business - Type Activities Enterprise Funds			Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-Major Enterprise Funds	Internal Service Funds
			Total	
OPERATING REVENUES:				
Charges for services (net)	\$ 12,663,763	\$ 873,016	\$ 1,568,854	\$ 15,105,633
Federal sources	-	10,121,158	-	\$ 10,121,158
State sources	-	530,414	44,422	574,836
Local sources	-	426,510	-	426,510
Penalties and interest on taxes	-	-	-	160,389
Collection fee on taxes	-	-	-	60,121
Interest earned	-	-	-	39,020
Other operating revenue	12,590	41,592	7,153	11,344
TOTAL OPERATING REVENUES	12,676,353	11,992,690	1,620,429	26,289,472
OPERATING EXPENSES:				
Personnel services	10,787,316	430,622	300,035	11,517,973
Supplies	1,218,965	366,504	189,963	1,775,432
Other services and charges	1,218,500	323,927	1,245,211	2,787,638
Depreciation	642,051	205,738	112,976	960,765
TOTAL OPERATING EXPENSES	13,866,832	1,326,791	1,848,185	17,041,808
OPERATING INCOME (LOSS)	(1,190,479)	10,665,899	(227,756)	9,247,664
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	1,483,148	-	-	1,483,148
Other non-operating revenues	750,709	-	-	750,709
Interest income	4	84	10,296	10,384
Maintenance of effort	(508,964)	-	-	(508,964)
Interest expense	-	(1,457)	(9,674)	(11,131)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,724,897	(1,373)	622	1,724,146
INCOME (LOSS) BEFORE TRANSFERS	534,418	10,664,526	(227,134)	10,971,810
Transfers in	-	200,000	238,390	438,390
Transfers (out)	-	-	(70,000)	(70,000)
CHANGE IN NET ASSETS	534,418	10,864,526	(58,744)	11,340,200
Net assets, beginning of year	13,123,086	3,689,147	380,863	17,193,096
NET ASSETS, END OF YEAR	\$ 13,657,504	\$ 14,553,673	\$ 322,119	\$ 28,533,296
				\$ 1,201,771

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business -Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Medical Care Facility Operating Fund	Airport Fund	Non-Major Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from charges for services	\$ 12,424,084	\$ 815,996	\$ 1,547,978	\$ 14,788,058	\$ 197,824
Cash received from federal, state and local sources	-	11,078,082	44,422	11,122,504	-
Other operating revenue	12,590	41,592	7,153	61,335	11,344
Interest income in internal service funds	-	-	-	-	39,020
Cash payments for personnel services	(10,748,718)	(434,556)	(296,532)	(11,479,806)	-
Cash payments for supplies	(1,218,965)	(366,504)	(189,963)	(1,775,432)	-
Cash payments for goods and services	(992,755)	(329,845)	(1,224,759)	(2,547,359)	4,323
Cash received from (paid for) delinquent taxes	-	-	-	-	(140,490)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(523,764)	10,804,765	(111,701)	10,169,300	112,021
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Increase (decrease) in due to other funds	-	(134,296)	134,296	-	125,000
Cash received from property taxes	1,483,148	-	-	1,483,148	-
Cash received from other non-operating revenues	750,709	-	-	750,709	-
Cash payments for maintenance of effort	(508,964)	-	-	(508,964)	-
Transfers in (out)	-	200,000	168,390	368,390	(125,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	1,724,893	65,704	302,686	2,093,283	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash payments for capital assets	(501,315)	(10,720,266)	(10,212)	(11,231,793)	-
Principal payments on bonds and notes	-	(13,555)	(207,852)	(221,407)	-
Cash payments for interest expense	-	(1,457)	(9,674)	(11,131)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(501,315)	(10,735,278)	(227,738)	(11,464,331)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
(Increase) decrease in investments	(1,434,104)	-	100,989	(1,333,115)	12,518
Interest income	4	84	10,296	10,384	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,434,100)	84	111,285	(1,322,731)	12,518
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(734,286)	135,275	74,532	(524,479)	124,539
Cash and cash equivalents, beginning of year	2,418,883	(1,000,759)	191	1,418,315	22,252
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,684,597	\$ (865,484)	\$ 74,723	\$ 893,836	\$ 146,791
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,190,479)	\$ 10,665,899	\$ (227,756)	\$ 9,247,664	\$ 275,197
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	642,051	205,738	112,976	960,765	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	206,334	(57,020)	23,546	172,860	-
(Increase) decrease in accrued interest receivable	-	-	-	-	(22,686)
(Increase) decrease in delinquent taxes receivable	-	-	-	-	(170,123)
(Increase) decrease in due from state	(447,902)	-	-	(447,902)	-
(Increase) decrease in inventory	(6,463)	(4,630)	2,637	(8,456)	-
(Increase) decrease in prepaid expenses	13,026	945	3,557	17,528	-
Increase (decrease) in accounts payable	219,182	(2,233)	14,258	231,207	-
Increase (decrease) in accrued payroll and related liabilities	24,554	50	716	25,320	-
Increase (decrease) in accrued sick and vacation	14,044	(3,984)	2,787	12,847	-
Increase (decrease) in due to others	-	-	-	-	29,633
Increase (decrease) in deferred revenue	1,889	-	(44,422)	(42,533)	-
NET ADJUSTMENTS	666,715	138,866	116,055	921,636	(163,176)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (523,764)	\$ 10,804,765	\$ (111,701)	\$ 10,169,300	\$ 112,021

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,441,535</u>
TOTAL ASSETS	<u><u>\$ 1,441,535</u></u>
LIABILITIES	
Due to others	\$ 1,438,062
Due to other funds	<u>3,473</u>
TOTAL LIABILITIES	<u><u>\$ 1,441,535</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Western U.P. District Health Department	Road Commission	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 543,836	\$ 1,323,530	\$ 1,867,366
Receivables, net	1,139,586	593,390	1,732,976
Inventory	-	475,104	475,104
Prepaid expenses	91,630	2,275	93,905
TOTAL CURRENT ASSETS	1,775,052	2,394,299	4,169,351
Non-Current Assets:			
Capital assets (net of accumulated depreciation):	799,422	8,768,774	9,568,196
Total Capital Assets	799,422	8,768,774	9,568,196
TOTAL NON-CURRENT ASSETS	799,422	8,768,774	9,568,196
TOTAL ASSETS	2,574,474	11,163,073	13,737,547
LIABILITIES			
Current Liabilities:			
Accounts payable	126,061	193,535	319,596
Accrued payroll	231,456	26,656	258,112
Compensated absences - current portion	148,288	88,282	236,570
Current portion of notes and contracts payable	18,372	-	18,372
Deferred revenue	194,108	294,183	488,291
TOTAL CURRENT LIABILITIES	718,285	602,656	1,320,941
Non-current Liabilities:			
Compensated absences	255,443	264,844	520,287
Notes payable	165,781	-	165,781
TOTAL NON-CURRENT LIABILITIES	421,224	264,844	686,068
TOTAL LIABILITIES	1,139,509	867,500	2,007,009
NET ASSETS			
Invested in capital assets net of related debt	615,269	8,768,774	9,384,043
Unrestricted	819,696	1,526,799	2,346,495
TOTAL NET ASSETS	\$ 1,434,965	\$ 10,295,573	\$ 11,730,538

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Function / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Western U.P. District Health Department</u>	<u>Road Commission</u>
Western U.P. District Health Department	\$ 6,474,436	\$ 4,299,029	\$ 2,114,563	\$ -	\$ (60,844)	\$ -
Road Commission	4,772,835	25,251	5,696,443	-	-	948,859
TOTAL COMPONENT UNITS	\$ 11,247,271	\$ 4,324,280	\$ 7,811,006	\$ -	(60,844)	948,859
General Revenues:						
Property taxes						500,048
Interest and investment earnings					3,092	55,849
Miscellaneous					-	118,205
TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEMS					3,092	674,102
CHANGE IN NET ASSETS						
Net assets, beginning of year					(57,752)	1,622,961
					1,492,717	8,672,612
NET ASSETS, END OF YEAR					\$ 1,434,965	\$ 10,295,573
						\$ 11,730,538

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Houghton, Michigan was organized in 1845 and covers an area of approximately 1,031 square miles with the County Seat located in Houghton, Michigan. The County operates under an elected Board of Commissioners of five (5) members and provides services, assistance and care to its residents.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the County are described below.

(1) REPORTING ENTITY

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units

The Houghton County Department of Health and Human Services is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although the employees are employed by the State of Michigan, and the State pays for most of the programs, the entity is considered part of the primary government because State law makes it a county organization.

The Houghton County Medical Care Facility (MCF) is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although it is distinct entity from the county, the MCF is reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Houghton.

Discretely Presented Component Units

The component units columns in the combined financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Western Upper Peninsula District Health Department (WUPDHD) provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw Counties. The County of Houghton, and the other counties, provides an annual subsidy to the WUPDHD.

The Houghton County Road Commission is responsible for the maintenance and construction of roads in the County of Houghton. The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Complete financial statements of the individual component units can be obtained from the Controller's office at the Courthouse or at the respective administrative offices as noted below:

- Houghton County Department of Health and Human Services
County Welfare Building - 200 Quincy Street
Hancock, Michigan 49930
- Houghton County Medical Care Facility
100 Quincy Street
Hancock, Michigan 49930
- Western Upper Peninsula District Health Department
540 Depot Street
Hancock, Michigan 49930
- Houghton County Road Commission
P.O. Box 269
Hancock, Michigan 49930

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The following fund types are used by the County:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Component Units – Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major proprietary funds:

- The **Medical Care Facility Operating Fund** accounts for the activities related to the operation of the County's Medical Care Facility.
- The **Airport Fund** accounts for the activities related to the operation of the County's Airport.

The County's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the County's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the general services and administration functional activity.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Houghton County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Houghton County Controller is authorized by means of County policy to make certain transfers:
 1. The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the County?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Budget Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's Office through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The County of Houghton adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General and Special Revenue Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and certificates of deposit. Investments are carried at fair value.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20-40 years
Building, structures and improvements	40 years
Equipment	5-20 years
Water and Sewage System	20 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – The County of Houghton, Michigan property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st and July 1st.

Although the County of Houghton, Michigan 2005 ad valorem tax is levied and collectible on December 1, 2005, and valorem tax is levied and collectible on July 1, 2006, it is the County of Houghton, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means levied and the tax collection period is within the current fiscal year.

The December 1, 2005 taxable valuation totaled \$562,752,095, on which ad valorem taxes levied consisted of 2.0754 mills for the County of Houghton, Michigan operation purposes, 2.0754mills for the Revenue Sharing Fund, 1.3583 mills for County Road Commission operating, and 2.6233 mills for Medical Care Facility Operations. These amounts are recognized in the respective General, Special Revenue Fund, Component Unit and Enterprise Fund financial statements as revenue.

Compensated Absences – The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

- (1) The Economic Development Revolving Loan Special Revenue Fund type has deferred revenue amounting to \$171,204. This amount represents Michigan Small Cities Block Grant Loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic development.
- (2) The 911 Enterprise Fund has deferred revenue amounting to \$15,347. This amount represents a grant from the State of Michigan for equipment purchases in fiscal year 2005 that was not fully used by the end of 2006.
- (3) The Western U.P. District Health Department Component Unit Fund has deferred revenue of \$194,108. This amount represents advance grant/contract payments from the State of Michigan.
- (4) The Houghton County Road Commission has deferred revenue of \$294,183. This amount represents advance grant/contract payments from the State of Michigan.
- (5) The Medical Care Facility has deferred revenue of \$667,197. This amount represents future Medicaid interim payments.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$2,260,520	\$1,867,366	\$1,441,535	\$5,569,421
Investments	1,910,874	-	-	1,910,874
Restricted:				
Cash and cash equivalents	-	-	-	-
Investments	2,725,729	-	-	2,725,729
TOTALS	\$6,897,123	\$1,867,366	\$1,441,535	\$10,206,024

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State law does not require and the County does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions were \$5,569,421 and the bank balance was \$6,748,245. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the County in its name	\$ 836,544
Amount uncollateralized and uninsured	5,911,700
	<u>\$ 6,748,245</u>

Investments

As of September 30, 2006, the County had the following investments.

	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
PRIMARY GOVERNMENT:					
Unrestricted Investments:					
Federal Government Obligation Principal	\$1,910,874	\$1,910,874	\$ -	\$ -	\$ -
Restricted Investments:					
Federal Government Obligation Principal	4,563	4,563	-	-	-
U.S. Government Agencies	2,721,166	518,228	1,720,780	482,158	-
TOTAL INVESTMENTS	<u>\$4,636,603</u>	<u>\$2,433,665</u>	<u>\$1,720,780</u>	<u>\$482,158</u>	<u>\$ -</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County's investments. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The County has no investment policy that would further limit its investment choices. Ratings are not required for the County's investment in U.S. Government Agencies or equity-type funds. The County's investments are in accordance with statutory authority.

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at September 30, 2005	Additions	Disposals	Balance at September 30, 2006
GOVERNMENTAL ACTIVITIES:				
Construction in progress	\$ 615,488	\$ 39,862	\$ (642,925)	\$ 12,425
Land	1,117,565	-	-	1,117,565
Total Capital Assets, not being depreciated	<u>1,733,053</u>	<u>39,862</u>	<u>(642,925)</u>	<u>1,129,990</u>
Buildings and improvements	2,533,349	648,440	-	3,181,789
Vehicles	484,598	97,402	(119,485)	462,515
Furniture and equipment	78,603	154,461	-	233,064
Total Capital Assets, being depreciated	<u>3,096,550</u>	<u>900,303</u>	<u>(119,485)</u>	<u>3,877,368</u>
Less Accumulated Depreciation:				
Buildings and improvements	(688,610)	(78,385)	-	(766,995)
Vehicles	(413,977)	(34,340)	96,490	(351,827)
Furniture and equipment	(24,368)	(31,809)	-	(56,177)
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>(1,126,955)</u>	<u>(144,534)</u>	<u>96,490</u>	<u>(1,174,999)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,702,648</u>	<u>\$ 795,631</u>	<u>\$ 665,920</u>	<u>\$3,832,359</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

Legislative	\$ -
General and Administrative	86,667
Public Safety	51,580
Health and Welfare	6,287
Total	<u>\$144,534</u>

NOTE C – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at September 30, 2005	Additions	Disposals	Balance at September 30, 2006
BUSINESS-TYPE ACTIVITIES:				
Construction in progress	\$ 485,794	\$10,720,267	\$11,105,032	\$ 101,029
Land	29,027	146,421	-	175,488
Total Capital Assets, not being depreciated	<u>514,821</u>	<u>10,866,688</u>	<u>11,105,032</u>	<u>276,477</u>
Buildings and improvements	11,547,750	416,483	-	11,946,233
Vehicles	2,014,999	68,090	-	2,083,089
Furniture and equipment	3,726,035	117,222	-	3,843,257
Infrastructure	4,216,985	10,868,342	-	15,085,327
Total Capital Assets, being depreciated	<u>21,505,769</u>	<u>11,470,137</u>	<u>-</u>	<u>32,975,906</u>
Less Accumulated Depreciation:				
Buildings and improvements	(5,145,607)	527,293	-	5,672,900
Vehicles	(1,443,716)	77,300	-	1,521,016
Furniture and equipment	(2,534,312)	229,133	-	2,763,445
Infrastructure	(596,115)	127,043	-	723,158
Total Accumulated Depreciation	<u>(9,719,750)</u>	<u>960,769</u>	<u>-</u>	<u>10,680,518</u>
Business-Type Activities Capital Assets, Net	<u>\$12,300,840</u>	<u>\$21,376,056</u>	<u>\$11,105,032</u>	<u>\$22,571,864</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Medical Care Facility	\$642,050
Airport	205,739
911 Fund	71,954
Solid Waste Transfer	36,174
Airport – Water/Sewer	-
Airport – Testing	1,688
Marina	3,164
Total Depreciation Expense – Business-Type Activities	<u>\$960,769</u>

A summary of component unit's capital assets is as follows:

	Western UP District Health	Road Commission	Total Component Units
COMPONENT UNITS:			
Land	\$ 90,000	\$ 93,137	\$ 183,137
Total Capital Assets, not being depreciated	<u>90,000</u>	<u>93,137</u>	<u>183,137</u>
Land improvements	17,595	-	17,595
Depletable assets	-	102,093	102,093
Buildings and improvements	1,443,780	1,394,767	2,838,547
Furniture and equipment	160,062	8,478,604	8,638,666
Infrastructure	-	7,953,448	7,953,448
Total Capital Assets, being depreciated	<u>1,621,437</u>	<u>17,928,912</u>	<u>19,550,349</u>
Less Accumulated Depreciation:			
Land improvements	(14,538)	-	(14,538)
Depletable assets	-	(39,876)	(39,876)
Buildings and improvements	(766,767)	(723,761)	(1,490,528)
Furniture and equipment	(130,710)	(7,436,072)	(7,566,782)
Infrastructure	-	(1,053,566)	(1,053,566)
Total Accumulated Depreciation	<u>(912,015)</u>	<u>(8,675,637)</u>	<u>(10,165,290)</u>
Component Units Capital Assets, net	<u>\$ 799,422</u>	<u>\$ 9,346,412</u>	<u>\$ 9,568,196</u>

NOTE C – CAPITAL ASSETS (Continued):

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Western U.P. District Health	\$73,233
Road Commission	988,044
Total Depreciation Expense – Component Units	<u>\$1,061,277</u>

NOTE D – LONG-TERM DEBT:

SCHEDULE OF TORCH LAKE SEWAGE DISPOSAL SYSTEM BONDS
September 30, 2006

	November 1	May 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	<u>\$2,125</u>	<u>\$2,125</u>	<u>\$90,000</u>	<u>\$94,250</u>
TOTALS	<u>\$2,125</u>	<u>\$2,125</u>	<u>\$90,000</u>	<u>\$94,250</u>

The Torch Lake Sewage Disposal System Bond consists of a revenue bond incurred for sewage disposal facilities on behalf of townships located within the County of Houghton. The County serves as general obligor for payment of principal and interest on the bonds. Annual transfers equal to principal and interest payments on the debt are made to the County Public Works Department based upon contractual agreements by those local units deriving revenues and benefits from the facilities.

Sewage Disposal System General Obligation Bonds originally issued for \$1,765,000 and dated November 1, 1977, mature annually as scheduled above and bears interest at 5% per annum.

Bonds maturing in the years 1990 to 2007, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to date on or after May 1, 1986, at par and accrued interest to the date fixed for redemption.

SCHEDULE OF COURTHOUSE IMPROVEMENT BOND
September 30, 2006

	December 1	June 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	<u>\$20,988</u>	<u>\$20,988</u>	<u>\$20,000</u>	<u>\$61,976</u>
2007-2008	<u>20,638</u>	<u>20,638</u>	<u>25,000</u>	<u>66,276</u>
2008-2009	<u>20,200</u>	<u>20,200</u>	<u>30,000</u>	<u>70,400</u>
2009-2010	<u>19,600</u>	<u>19,600</u>	<u>35,000</u>	<u>74,200</u>
2010-2011	<u>18,900</u>	<u>18,900</u>	<u>40,000</u>	<u>77,800</u>
2011-2012	<u>18,100</u>	<u>18,100</u>	<u>45,000</u>	<u>81,200</u>
2012-2013	<u>17,200</u>	<u>17,200</u>	<u>50,000</u>	<u>84,400</u>
2013-2014	<u>16,200</u>	<u>16,200</u>	<u>55,000</u>	<u>87,400</u>
2014-2015	<u>14,963</u>	<u>14,963</u>	<u>60,000</u>	<u>89,926</u>
2015-2016	<u>13,613</u>	<u>13,613</u>	<u>65,000</u>	<u>92,226</u>
2016-2017	<u>12,150</u>	<u>12,150</u>	<u>70,000</u>	<u>94,300</u>
2017-2018	<u>10,575</u>	<u>10,575</u>	<u>75,000</u>	<u>96,150</u>
2018-2019	<u>8,888</u>	<u>8,888</u>	<u>80,000</u>	<u>97,776</u>
2019-2020	<u>7,088</u>	<u>7,088</u>	<u>80,000</u>	<u>94,176</u>
2020-2021	<u>5,288</u>	<u>5,288</u>	<u>80,000</u>	<u>90,576</u>
2021-2022	<u>3,488</u>	<u>3,488</u>	<u>80,000</u>	<u>86,976</u>
2022-2023	<u>1,688</u>	<u>1,688</u>	<u>75,000</u>	<u>78,376</u>
Totals	<u>\$229,567</u>	<u>\$229,567</u>	<u>\$965,000</u>	<u>\$1,424,134</u>

The Courthouse Improvement Bond consists of a general obligation bond through Superior National Bank and Trust. This bond was incurred for remodeling of the Courthouse Facility and new adjacent storage facilities. The bond will be paid for from the general fund.

NOTE D – LONG-TERM DEBT (Continued):**SCHEDULE OF BROWNFIELD REDEVELOPMENT****September 30, 2006**

	October 3		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$6,762	\$40,118	\$46,880
2007-2008	5,859	41,021	46,880
2008-2009	4,936	41,944	46,880
2009-2010	3,992	42,888	46,880
2010-2011	3,027	43,853	46,880
2011-2012	2,041	44,839	46,880
2012-2013	1,031	45,849	46,880
TOTALS	<u>\$27,648</u>	<u>\$300,512</u>	<u>\$363,452</u>

The City of Houghton borrowed on behalf of Houghton County \$425,000 with State of Michigan Department of Environmental Quality Environmental Response Division a Brownfield Redevelopment Authority Tax Incremental Revenue Loan for the redevelopment of the former Houghton High School lot. The payments will be paid from the general fund.

**SCHEDULE OF MICHIGAN ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT REPAYMENT****September 30, 2006**

	Nov 1	Feb 1	May 1	Aug 1	Total
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	
2006-2007	\$1,074	\$1,074	\$1,074	\$1,074	\$4,296
2007-2008	1,074	1,074	1,074	1,074	4,296
2008-2009	1,074	1,074	1,074	1,074	4,296
2009-2010	1,074	1,074	1,074	1,074	4,296
2010-2011	1,074	1,074	1,074	1,074	4,296
2011-2012	1,074	1,074	1,074	1,074	4,296
2012-2013	1,074	1,074	1,074	1,074	4,296
2013-2014	1,074	1,074	1,074	1,074	4,296
2014-2015	1,074	1,074	1,074	1,074	4,296
2015-2016	1,074	1,074	1,074	1,074	4,296
2016-2017	1,074	1,074	1,074	1,074	4,296
2017-2018	1,074	1,074	1,074	1,074	4,296
2018-2019	1,074	1,058	-	-	2,148
TOTALS	<u>\$13,962</u>	<u>\$13,946</u>	<u>\$12,888</u>	<u>\$12,888</u>	<u>\$53,684</u>

The Michigan Economic Development Community Development Block Grant Repayment is for the County not meeting the long term requirements of job creation of the CDBG Airpark Improvement Grant. Therefore, the County is required to pay back part of this grant. This payment will be made from the Airpark Improvement Fund.

SCHEDULE OF JAIL VENTILATION LOAN**September 30, 2006**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$4,192	\$13,478	\$17,670
2007-2008	3,726	13,944	17,670
2008-2009	3,245	14,425	17,670
2009-2010	2,747	14,923	17,670
2010-2011	2,232	15,438	17,670
2011-2012	1,699	15,971	17,670
2012-2013	1,148	16,522	17,670
2013-2014	577	16,726	17,303
TOTALS	<u>\$19,566</u>	<u>\$121,427</u>	<u>\$140,993</u>

The County borrowed \$146,981 from Superior National Bank to update the jail ventilation system. This payment will be made from the general fund.

NOTE D – LONG-TERM DEBT (Continued)

SCHEDULE OF ARENA PROJECT BOND
September 30, 2006

	April 1	October 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$14,371	\$14,371	\$10,000	\$38,742
2007-2008	14,171	14,171	10,000	38,342
2008-2009	13,971	13,971	10,000	37,942
2009-2010	13,771	13,771	10,000	37,542
2010-2011	13,571	13,571	10,000	37,142
2011-2012	13,371	13,371	10,000	36,742
2012-2013	13,171	13,171	15,000	41,342
2013-2014	12,871	12,871	15,000	40,742
2014-2015	12,571	12,571	15,000	40,142
2015-2016	12,271	12,271	15,000	39,542
2016-2017	11,971	11,971	20,000	43,942
2017-2018	11,571	11,571	20,000	43,142
2018-2019	11,166	11,166	20,000	42,332
2019-2020	10,756	10,756	20,000	41,512
2020-2021	10,336	10,336	20,000	40,672
2021-2022	9,906	9,906	25,000	44,812
2022-2023	9,356	9,356	25,000	43,712
2023-2024	8,793	8,793	25,000	42,586
2024-2025	8,218	8,218	25,000	41,436
2025-2026	7,637	7,637	30,000	45,274
2026-2027	6,932	6,932	30,000	43,864
2027-2028	6,220	6,220	30,000	42,440
2028-2029	5,500	5,500	220,000	231,000
Totals	<u>\$252,472</u>	<u>\$252,472</u>	<u>\$630,000</u>	<u>\$1,134,944</u>

The Arena Project Bond consists of a general obligation bond through Superior National Bank and Trust. This bond was incurred for remodeling of the Houghton County Ice Arena. The bond will be paid for from the general fund.

SCHEDULE OF BS&A SOFTWARE
September 30, 2006

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$ -	\$15,763	\$15,763
2007-2008	-	31,525	31,525
2008-2009	-	31,525	31,525
TOTALS	<u>\$ -</u>	<u>\$78,813</u>	<u>\$78,813</u>

BS&A Software purchase originally issued for \$94,575 and dated December 16, 2005, payments are to be made annually, with an interest rate of 0.00%. These payments will be made from the General Fund.

SCHEDULE OF 2006 CROWN VICTORIA NOTE PAYABLE
September 30, 2006

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$1,009	\$7,576	\$8,585
2007-2008	520	8,064	8,584
TOTALS	<u>\$1,529</u>	<u>\$15,640</u>	<u>\$17,169</u>

2006 Ford Crown Victoria note payable originally issued for \$25,753 and dated April 28, 2006, payments are to be made annually, with an interest rate of 6.45%. These payments will be made from the General Fund.

NOTE D – LONG-TERM DEBT (Continued)

SCHEDULE OF AIRCRAFT REFUELER

September 30, 2006

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$621	\$14,391	\$15,012
2007-2008	18	2,484	2,502
TOTALS	<u>\$639</u>	<u>\$16,875</u>	<u>\$17,514</u>

Aircraft REFUELER Note originally issued for \$85,637 and dated November 29, 2000, mature Monthly with principal and interest as scheduled above and bears interest at 6% per annum. These payments will be made from the Airport Fund.

SCHEDULE OF RANGE TELECOMMUNICATIONS FOR THE 911 FUND

September 30, 2006

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$1,428	\$82,464	\$83,892
2007-2008	91	6,992	7,083
TOTALS	<u>\$1,428</u>	<u>\$89,546</u>	<u>\$90,975</u>

Range Telecommunications Note originally issued for \$222,000 and dated January 1, 2005, mature Monthly with principal and interest as scheduled above and bears interest at 2.75% per annum. These payments will be made from the 911 Fund.

SCHEDULE OF MOTOROLA TELECOMMUNICATIONS FOR THE 911 FUND

September 30, 2006

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$1,962	\$113,295	\$115,257
2007-2008	125	9,605	9,730
TOTALS	<u>\$1,962</u>	<u>\$123,025</u>	<u>\$124,987</u>

Motorola Telecommunications Note originally issued for \$305,000 and dated January 1, 2005, mature Monthly with principal and interest as scheduled above and bears interest at 2.75% per annum. These payments will be made from the 911 Fund.

SCHEDULE OF TRANSFER STATION TRUCK

September 30, 2006

	<u>July 1</u>			
	<u>January 1</u>			
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$326	\$48	\$17,398	\$17,772
TOTALS	<u>\$326</u>	<u>\$48</u>	<u>\$17,398</u>	<u>\$17,772</u>

Transfer Station Truck Note originally issued for \$86,991 and dated June 3, 2004, mature annually as scheduled above and bears interest at 3.75% per annum. These payments will be made from the Transfer Station Fund.

NOTE D – LONG-TERM DEBT (Continued):

SCHEDULE OF WESTERN U.P. DISTRICT HEALTH DEPARTMENT LOANS

September 30, 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	\$18,372	\$9,670	\$28,042
2007-2008	19,409	8,633	28,042
2008-2009	20,504	7,538	28,042
2009-2010	21,660	6,382	28,042
2010-2011	22,882	5,160	28,042
2011-2012	24,173	3,869	28,042
2012-2013	25,536	2,506	28,042
2013-2014	26,977	1,065	28,042
2014-2015	4,640	33	4,674
TOTALS	<u>\$184,153</u>	<u>\$44,856</u>	<u>\$229,010</u>

On September 29, 2000, the Health Department entered into a 15 year land contract with Baraga Houghton Keweenaw Child Development Board and the Copper Country Intermediate School District for the shared use of a building in Lanes. The agreement, effective January 1, 2000, requires monthly payments of \$2,377, which includes interest at a rate of 5.5%.

On December 26, 1991, the Health Department entered into an installment purchase agreement payable over 178 months for the acquisition of the Hancock facility. The agreement, effective December 1, 1991, requires monthly payments of \$11,354, which includes interest at a rate of 9%.

Changes in long-term debt principal during the year ended September 30, 2006 are summarized as follows:

	<u>September 30, 2005</u>	<u>Additions</u>	<u>Subtractions</u>	<u>September 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities:					
Sewage Disposal System General Obligation Bonds issued for \$1,765,000 dated November 1, 1977. These bonds bear interest of 5% per annum. Bonds maturing in the years 1990-2007 shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to the date on or after May 1, 1986, at par and accrued interest to the date fixed for redemption.	\$175,000	\$-	\$85,000	\$90,000	\$90,000
Installment Purchase Agreement for 2 police cars in the amount of \$39,536 at 2.95% interest. With 6 semi-annual payments of \$7,077, due in June and December.	6,875	-	6,875	-	-
Courthouse Improvement Bond issued on June 1, 2005 for \$995,000. These bonds bear interest of 3% from June 1, 2005 to June 1, 2006; 3.5% from June 2, 2006 to June 1, 2008; 4% from June 2, 2008 to June 1, 2013 and 4.5% from June 2, 2013 to June 1, 2023. Payments are due semi-annually on June 1, (principal and interest) and December 1, (interest) of each year.	980,000	-	15,000	965,000	20,000
Brownfield Redevelopment Authority Tax Incremental Revenue Loan issued for \$425,000 dated October 2, 2004. These loans bear interest of 2.25% per annum. 10 payments of \$26,880 are due annually on October 3 rd , (principal and interest) of each year.	339,748	-	39,235	300,513	40,118
Michigan Economic Development Community Development Block Grant Repayment issued for \$61,200 dated September 30, 2005. This repayment bears interest of 0% per annum. 57 payments of \$1,074 are due quarterly November 1, February 1, May 1, and August 1 (principal only) of each year.	57,979	-	4,295	53,684	4,295
Note Payment for the jail ventilation projects in the amount of \$146,981 at 3.5% interest, due to Superior National Bank, with 10 annual payments of \$17,670, due on May 25 th of each year.	134,455	-	13,029	121,427	13,478

NOTE D – LONG-TERM DEBT (Continued):

	September 30, 2005	Additions	Subtractions	September 30, 2006	Due Within One Year
Arena Project Bond issued on November 1, 2004 for \$650,000. These bonds bear interest of 4% from November 1, 2004 to October 1, 2017; 4.05% from October 1, 2017 to October 1, 2018; 4.1% from October 1, 2018 to October 1, 2019; 4.2% from October 1, 2019 to October 1, 2020; 4.3% from October 1, 2020 to October 1, 2021; 4.4% from October 1, 2021 to October 1, 2022; 4.5% from October 1, 2022 to October 1, 2023; 4.6% from October 1, 2023 to October 1, 2024; 4.65% from October 1, 2024 to October 1, 2025; 4.7% from October 1, 2025 to October 1, 2026; 4.75% from October 1, 2026 to October 1, 2027; 4.8% from October 1, 2027 to October 1, 2028; 5% from October 1, 2028 to October 1, 2029; Payments are due semi-annually April 1 (Interest) and October 1 (principal and interest), of each year	\$640,000	\$-	\$10,000	\$630,000	\$10,000
BS&A – Property Tax Software was purchased on December 16, 2005. This purchase has financing terms of 0.00%, to be paid in 4 annual payments.	-	94,575	15,762	78,813	15,763
2006 Ford Crown Victoria Note Payable was issued on April 28, 2006, for the amount of 25,754 at 6.45% interest.	-	24,225	8,585	15,640	7,576
Total Governmental Activities	2,334,057	118,800	197,781	2,255,076	201,230
Business-Type Activities:					
Airport Fund loan for ReFueller in the amount of \$85,637 for 84 months at 6% interest.	30,430	-	13,555	16,875	14,391
Note Payable for Radios purchased from Range Telecommunications for the 911 fund; in the amount of \$222,000 at 2.75% interest, due to Superior National Bank. With 33 monthly payments of \$6,991.01, due on the 28th of each month.	169,775	-	80,229	89,546	82,464
Note Payable for radios purchased from Motorola, Inc. for the 911 fund; in the amount of \$305,000 at 2.75% interest, due to Superior National Bank. With 33 monthly payments of \$9,604.76, due on the 28th of each month.	233,250	-	110,225	123,025	113,295
Solid Waste Transfer Fund Loan for 2005 Semi-Truck in the amount of \$86,991 with interest at 1.88% and semi-annual payments on January 1 for interest and July 1 for interest and principal \$17,398).	34,796	-	17,398	17,398	17,398
Total Business-Type Activities	468,251	-	221,407	246,844	227,548
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	2,802,308	118,800	419,188	2,501,920	428,778
Discrete Component Units:					
Installment Purchase Agreements	320,991	-	136,838	184,153	18,372
TOTAL LONG-TERM DEBT	\$3,123,299	\$118,800	\$556,026	\$2,686,073	\$447,150

Annual maturities on the Long-Term Debt are as follows:

	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principle	Interest	Principle	Interest	Principle	Interest
2006-2007	\$201,230	\$84,731	\$227,548	\$4,386	\$18,372	\$9,670
2007-2007	133,849	79,524	19,296	6,918	19,409	8,633
2008-2009	132,189	76,324	-	-	20,504	7,538
2009-2010	107,106	73,282	-	-	21,660	6,382
2010-2011	113,586	70,002	-	-	22,882	5,160
2011-2016	506,382	308,400	-	-	81,326	7,474
2016-2021	495,734	197,516	-	-	-	-
2021-2026	285,000	95,202	-	-	-	-
2026-2029	280,000	30,373	-	-	-	-
TOTAL	\$2,255,076	\$1,015,354	\$246,844	\$11,304	\$184,153	\$44,857

NOTE E – VESTED EMPLOYEE BENEFITS:

The County accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the County will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn annual vacation, sick, and combined leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation, sick, and combined leave days are based on various Labor Union Contract terms and administrative policies of the primary government.

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$328,632
Long-term portion	696,662
Total	<u>\$1,025,294</u>
Component Units:	
Current portion	\$236,570
Long-term portion	520,287
Total	<u>\$756,857</u>

NOTE F – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

The County of Houghton, Michigan reports inter-fund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of inter-fund balances presented in the statements of net assets/balance sheet for governmental funds. Inter-fund transactions resulting in inter-fund receivables and payables are as follows:

Due To Other Funds					
	General Fund	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ -	\$136,791	\$125,000	\$3,473	\$265,264
Non-Major Governmental Funds	43,476	-	-	-	43,476
Airport Fund	-	134,296	-	-	134,296
Internal Service Funds	-	-	221,017	-	221,017
Total	<u>\$43,476</u>	<u>\$271,087</u>	<u>\$346,017</u>	<u>\$3,473</u>	<u>\$664,053</u>

All balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS) (Continued):

		Transfer Out To Other Funds				
Transfer In From Other Funds		General Fund	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Total
	General Fund	\$ -	\$637,111	\$70,000	\$125,000	\$832,111
	Non-Major Governmental Funds	709,217	-	-	-	\$709,217
	Airport Fund	200,000	-	-	-	\$200,000
	Non-Major Enterprise Funds	-	238,390	-	-	\$238,390
	Internal Service Funds	-	-	-	245,838	\$245,838
	Component Units	174,201	-	-	-	\$174,201
	Total	\$1,083,418	\$875,501	\$70,000	\$370,838	\$2,399,757

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE G – RESTRICTED FUND EQUITY AND INVESTMENTS:

The Sewage Disposal #1 Bond – Debt Service Fund has restricted fund balance totaling \$34,284 which represents the balance available to pay down debt.

The Tri-County Community Corrections – Special Revenue Fund has restricted fund balance totaling \$27,295 which represents the balance available for pay for compensated absences earned on grant employees.

The Medical Care Facility – Enterprise Fund has restricted investment balance totaling \$2,725,729 which represents \$2,375,729 for replacement of capital assets and \$350,000 for workers compensation contingencies.

The July 1, 2006 taxable valuation totaled \$602,627,086, on which ad valorem taxes levied consisted of 4.1396 mills for the County of Houghton, Michigan operation purposes, this amount is recognized in the General Fund financial statements as revenue.

NOTE H – CONTINGENT LIABILITIES:

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at September 30, 2006.

Risk Management – The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss.

NOTE H – CONTINGENT LIABILITIES (Continued):

Cost Settlement – Medical care facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE I – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES:

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Houghton, Baraga, Keweenaw and Ontonagon created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Copper Country Community Mental Health Services Board. Under such provisions the Copper Country Community Mental Health Services Board became a separate legal entity from the respective counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective county. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2006 for the Board is as follows:

Assets	\$11,025,261
Liabilities	3,483,925
Fund Equity	7,541,336
Total Revenues	15,557,895
Total Expenditures	14,997,710
Net Increase (Decrease) in Fund Equity	560,185

The separately issued financial statements can be obtained from the administrative office of the Board at:

Copper Country Community Mental Health
901 West Memorial Drive
Houghton, MI 49931

NOTE J – OTHER POST EMPLOYMENT BENEFITS:

The County of Houghton offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and selected former employees of the County. This benefit is accounted for on the "pay-as-you-go" method, whereby the County is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for retired employees for the period ended September 30, 2006 was \$4,800.

NOTE K – PENSION PLAN:

DEFINED BENEFIT PENSION PLAN – COUNTY

Plan Description – The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unites, and requires a contribution from the employees of 0 - 3.6% of gross wages.

NOTE K – PENSION PLAN (Continued):

Annual Pension Cost – For year ended September 30, 2006, the County's annual pension cost of \$571,764 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is 30 years.

	Three Year Trend Information Fiscal Year Ended December 31		
	2003	2004	2005
Annual Pension Cost	\$616,317	\$667,144	\$620,884
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$9,841,471	\$10,605,773	\$11,342,371
Actuarial Accrued Liability (Entry Age)	\$14,729,577	\$15,480,216	\$16,440,586
Unfunded AAL	\$4,888,106	\$4,874,443	\$5,098,215
Funded Ratio	67%	69%	69%
Covered Payroll	\$3,622,239	\$3,401,483	\$3,395,304
UAAL as a Percentage of Covered Payroll	135%	143%	150%

DEFINED BENEFIT PENSION PLAN – MEDICAL CARE FACILITY

Plan Description – The Facility participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Facility. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Facility's competitive bargaining units, and requires a contribution from the employees of 0 - 3.6% of gross wages.

Annual Pension Cost – For year ended September 30, 2006, the Facility's annual pension cost of \$753,491 for the plan was equal to the Facility's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is 30 years.

	Three Year Trend Information Fiscal Year Ended December 31		
	2003	2004	2005
Annual Pension Cost	\$758,330	\$510,576	\$753,491
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$12,269,131	\$12,991,807	\$14,024,905
Actuarial Accrued Liability (Entry Age)	\$12,669,590	\$13,652,549	\$15,391,955
Unfunded AAL	\$400,459	\$660,742	\$1,367,050
Funded Ratio	97%	95%	91%
Covered Payroll	\$6,598,757	\$6,399,200	\$6,585,290
UAAL as a Percentage of Covered Payroll	135%	10%	21%

NOTE K – PENSION PLAN (Continued):**DEFINED BENEFIT PENSION PLAN – WESTERN DISTRICT UPPER PENINSULA HEALTH DEPARTMENT**

Plan Description – The Western Upper Peninsula District Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Western Upper Peninsula District Health Department. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at MERS, 1134 Municipal Way, Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Western Upper Peninsula District Health Department's competitive bargaining units, and requires a contribution from the employees of 0% of gross wages.

Annual Pension Cost – For the year ended September 30, 2006, the Health Department's annual pension cost of \$251,616 for the plan was less than the Western Upper Peninsula District Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three Year Trend Information from Actuarial Valuation
Fiscal Year Ended December 31

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual Pension Cost	\$255,378	\$261,863	\$308,514
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$6,014,110	\$6,365,075	\$6,759,862
Actuarial Accrued Liability (Entry Age)	\$6,930,189	\$6,970,652	\$8,058,572
Unfunded AAL	\$916,079	\$605,577	\$1,298,710
Funded Ratio	87%	91%	84%
Covered Payroll	\$3,370,346	\$3,054,386	\$3,248,327
UAAL as a Percentage of Covered Payroll	27%	20%	40%

DEFINED BENEFIT PENSION PLAN – HOUGHTON COUNTY ROAD COMMISSION

Plan Description – The Houghton County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all nonunion employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at MERS, 1134 Municipal Way, Lansing, MI 48917.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Houghton County Road Commission's competitive bargaining units and requires a contribution from the employees of 16.62% of gross wages for the County Road Commission.

NOTE K – PENSION PLAN (Continued):

Annual Pension Costs – For year ended 2006, Houghton County Road Commission's annual pension cost of \$80,088 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal funding method. Significant actuarial assumptions used include: (1) an 8% investment rate of return; (2) projected salary increases of 4.5% per year; and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of September 30 follows:

Three Year Trend Information from Actuarial Valuation
Fiscal Year Ended December 31

	2003	2004	2005
Annual Pension Cost (APC)	\$62,646	\$79,991	\$60,425
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$2,439,095	\$2,598,835	\$2,593,845
Actuarial Accrued Liability (AAL)	\$2,873,598	\$3,255,374	\$3,494,787
Unfunded AAL (UAAL)	\$434,503	\$656,539	\$900,942
Funded Ratio	85%	80%	74%
Covered Payroll	\$395,083	\$281,910	\$320,611
UAAL as a Percentage of Covered Payroll	110%	233%	281%

The Houghton County Road Commission provides pension benefits to all of its full-time union employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by union contract, the Houghton County Road Commission contributes a fixed amount per the union agreement, plus interests allocated to the employee's account, and are fully vested after 10 years of service.

The current year contribution was calculated based on \$65 per employee, for 40 employees, resulting in an employer contribution of \$120,575 and employee contributions of \$-0-.

NOTE L – DEFICIT CASH AND INVESTMENT BALANCES:

At September 30, 2006 the following funds had a material cash and investment deficit:

<u>Fund</u>	<u>Deficit Cash/ Investment Balance</u>
Governmental Activities:	
General Fund	\$383,214
Special Revenue:	
Tri-County Work Camp	7,767
Law Library	875
Child Care	2,018
WMD Grant	879
Business-Type Activities:	
Airport	865,484
911	10,188
Airport – Water/Sewer	11,820
Internal Service:	
2005 Delinquent Tax Revolving	659,177

NOTE M – FUND EQUITY DEFICIT BALANCES:

At September 30, 2006 the following funds had an unrestricted fund equity deficit:

<u>Fund</u>	<u>Deficit Fund Equity</u>
Government-Type Activities:	
Special Revenue	
2006 Delinquent Property Tax Sale	
Unrestricted	\$48,197
Business-Type Activities:	
Airport	
Unrestricted	647,626
Solid Waste Transfer	
Unrestricted	85,378
Airport – Water/Sewer	
Unrestricted	13,461
Passenger Facility Charge	
Unrestricted	97,348
Marina	
Unrestricted	11,853

NOTE N – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a County shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following funds/line items had material excess expenditures over appropriations at September 30, 2006:

<u>Fund/Line Item</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund:			
Friend of the Court	\$324,342	\$325,362	\$1,020
Mailing	35,200	36,531	1,331
Courthouse and Grounds	185,610	188,584	2,974
County Properties	32,652	35,933	3,281
Treasurer	144,408	146,762	2,354
Sheriff	692,546	699,904	7,358
Jail	525,136	527,866	2,730
Building Official	196,000	198,587	2,587
Animal Control	14,000	15,510	1,510
Capital Outlay	213,628	311,528	97,900
Debt Service	114,438	130,125	15,687
Transfers Out	905,016	909,217	4,201
Special Fund Revenues			
Alert Fund	800	911	111
2006 Delinquent Property Tax Sale	-	299,002	299,002
Law Library	15,000	17,140	2,140
Justice Training	4,000	4,592	592
Department of Human Services	-	37,342	37,342

NOTE O – PRIOR PERIOD EQUITY ADJUSTMENTS:

In August 2006, the Medical Care Facility received \$354,165 relating to the reinstatement of a previously issued executive order cut in the Medicaid reimbursement rate. Of this \$354,165, \$30,931 was due to Keweenaw County relating to there 15 beds in the facility. The net of \$323,234 was record as an adjustment to the net patient service revenue in the Statement of Activities for the fiscal year 2005.

In September 2006, the Houghton County Road Commission implemented the retroactive reporting for infrastructure assets. These created as decrease the net capital assets of \$643,727 from the prior year net assets.

NOTE P – ACCOUNTS RECEIVABLE:

A summary of accounts receivable at September 30, 2006 is as follows:

Type	Governmental Activities – General Fund	Governmental Activities – Non-Major Funds	Delinquent Tax Revolving Funds	Business- Type Activities Medical Care Facility	Business- Type Activities Airport	Business- Type Activities Non-Major	Total Primary Government	Component Units
A*	\$447,012	\$-	\$-	\$-	\$-	\$-	\$447,012	\$-
C*	-	30,101	-	1,108,544	-	-	1,138,645	593,390
D*	-	171,204	-	-	-	-	171,204	-
E*	-	-	104,100	-	-	-	104,100	-
F*	-	-	1,108,515	-	-	-	1,108,515	-
G*	-	-	-	1,000,323	-	-	1,000,323	1,139,586
B*	300,606	32,087	-	-	113,898	125,709	572,300	-
Total	<u>\$747,618</u>	<u>\$233,392</u>	<u>\$1,212,615</u>	<u>\$2,108,867</u>	<u>\$113,898</u>	<u>\$125,709</u>	<u>\$4,542,099</u>	<u>\$1,732,976</u>

A*	Property Taxes – Current	D*	EDC Loans Receivable
B*	Other	E*	Accrued Interest
C*	Due From Other Government Units	F*	Delinquent Property Taxes
		G*	Charges for Services (Health Care Related)

NOTE Q – EDC LOANS RECEIVABLE:

Debtor	Balance 9-30-06	Year of Award	Interest Rate	Term in Years
Michigan House	\$9,293	2005	8.25%	10
GS Engineering	92,063	2005	7.0%	10
REL Machine, Inc.	69,848	2006	7.25%	5
Total	<u>\$171,204</u>			

Required Supplementary Information

COUNTY OF HOUGHTON, MICHIGAN

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,492,453	\$ 3,570,264	\$ 3,599,639	\$ 29,375
Licenses and permits	292,200	267,200	277,122	9,922
Federal sources	20,000	20,000	15,298	(4,702)
State sources	1,812,421	1,164,109	1,152,095	(12,014)
Charges for services	901,850	958,795	1,074,973	116,178
Interest	206,832	210,000	263,917	53,917
Other revenues	210,000	288,588	343,376	54,788
TOTAL REVENUES	6,935,756	6,478,956	6,726,420	247,464
EXPENDITURES:				
Legislative	119,050	104,700	88,549	16,151
Judicial	1,365,810	1,319,758	1,303,273	16,485
General government	1,255,150	1,320,178	1,293,301	26,877
Public safety	1,615,153	1,672,027	1,660,278	11,749
Public works	33,911	34,211	34,027	184
Health and welfare	2,000	2,000	2,000	-
Recreation and culture	147,668	147,743	143,565	4,178
Other	1,440,638	1,594,260	1,568,583	25,677
Capital outlay	143,078	213,628	311,528	(97,900)
Debt service	114,438	114,438	130,125	(15,687)
TOTAL EXPENDITURES	6,236,896	6,522,943	6,535,229	(12,286)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	698,860	(43,987)	191,191	235,178
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	118,800	118,800
Transfers in	409,000	1,032,111	832,111	(200,000)
Transfers (out)	(951,422)	(905,016)	(909,217)	(4,201)
Transfers to component units	(174,201)	(174,201)	(174,201)	-
TOTAL OTHER FINANCING SOURCES (USES)	(716,623)	(47,106)	(132,507)	(85,401)
CHANGE IN FUND BALANCE	(17,763)	(91,093)	58,684	149,777
Fund balance, beginning of year	394,214	394,214	394,214	-
FUND BALANCE, END OF YEAR	\$ 376,451	\$ 303,121	\$ 452,898	\$ 149,777

The accompanying notes are an integral part of these financial statements.

Supplementary Information

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 3,333,475	\$ 3,354,743	\$ 21,268
Commercial forest taxes	52,000	56,813	4,813
Swamp taxes	41,573	41,573	-
Trailer taxes	200	220	20
Federal payment in lieu of taxes	143,016	146,290	3,274
Total Taxes	<u>3,570,264</u>	<u>3,599,639</u>	<u>29,375</u>
Licenses and Permits:			
Marriage licenses	1,400	1,360	(40)
Dog licenses	2,800	2,484	(316)
Building permits	260,000	270,200	10,200
Pistol permits	3,000	3,078	78
Total Licenses and Permits	<u>267,200</u>	<u>277,122</u>	<u>9,922</u>
Federal Sources:			
Civil defense	20,000	15,298	(4,702)
Total Federal Sources	<u>20,000</u>	<u>15,298</u>	<u>(4,702)</u>
State Sources:			
Judges standardization	108,373	108,373	-
State income taxes	-	1,294	1,294
State liquor taxes	150,645	150,645	-
Case flow assistance	7,902	7,902	-
Snowmobile safety program	22,547	22,548	1
Probate judge salary	101,401	102,019	618
Marine safety	14,396	30,392	15,996
Friend of Court - Cooperative reimbursement	273,500	230,622	(42,878)
Friend of Court - Medical enforcement	13,632	13,299	(333)
Prosecutor - Cooperative reimbursement	40,515	37,178	(3,337)
Township liquor fees	3,553	3,553	-
Friend of Court incentive	53,332	41,384	(11,948)
Secondary road patrol	75,810	75,810	-
Victim's rights reimbursement	8,200	8,125	(75)
Juvenile justice program	27,316	27,317	1
Court reimbursement	139,197	119,690	(19,507)
Welfare fraud reimbursement	-	135	135
Cigarette tax	22,514	22,514	-
Remonumentation program	91,286	142,203	50,917
O R V grant	7,650	5,000	(2,650)
Community service work program	2,340	2,092	(248)
Total State Sources	<u>1,164,109</u>	<u>1,152,095</u>	<u>(12,014)</u>

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Charges for Services:			
Circuit Court costs	\$ 15,895	\$ 16,364	\$ 469
Circuit Court services	26,400	30,262	3,862
District Court costs	189,000	200,733	11,733
District Court supervision fees	24,000	28,016	4,016
District Court civil fees	67,000	76,761	9,761
Register of Deeds services	167,000	171,456	4,456
Real estate transfer tax	75,000	87,242	12,242
Friend of Court services	45,000	44,816	(184)
Probate Court services	12,500	13,418	918
Treasurer services	8,250	9,068	818
Clerk services	49,500	56,996	7,496
Sheriff services	82,000	90,792	8,792
Tax department services	56,500	70,724	14,224
Bond costs	4,500	5,392	892
Remonumentation fees	450	436	(14)
Attorney fees	5,000	5,655	655
Prisoner board	48,500	78,519	30,019
Circuit/District reimbursement	80,000	86,263	6,263
CC enhancement fees	2,300	2,060	(240)
Total Charges for Services	958,795	1,074,973	116,178
Interest	210,000	263,917	53,917
Other Revenues:			
Penal fines	-	180	180
Ordinance fines and costs	10,000	13,166	3,166
Bond forfeitures	300	300	-
Rentals	72,659	72,659	-
Sale of assets	149,941	149,941	-
Refunds	16,500	17,353	853
Controller administration	3,550	3,609	59
Insurance recoveries	12,000	12,593	593
Civil defense services	-	270	270
Reimbursements	2,880	3,360	480
Gain/Loss on investment	(9,616)	33,501	43,117
Miscellaneous other	30,374	36,444	6,070
Total Other Revenues	288,588	343,376	54,788
TOTAL REVENUES	6,478,956	6,726,420	247,464
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	50,650	44,677	5,973
Supplies	200	85	115
Other services and charges	53,850	43,787	10,063
TOTAL LEGISLATIVE	104,700	88,549	16,151

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
JUDICIAL:			
Circuit Court:			
Personnel services	\$ 142,862	\$ 141,970	\$ 892
Supplies	4,700	5,982	(1,282)
Other services and charges	107,420	99,575	7,845
Total Circuit Court	<u>254,982</u>	<u>247,527</u>	<u>7,455</u>
District Court:			
Personnel services	310,660	311,424	(764)
Supplies	9,400	9,530	(130)
Other services and charges	57,341	55,888	1,453
Total District Court	<u>377,401</u>	<u>376,842</u>	<u>559</u>
Friend of the Court:			
Personnel services	175,863	174,721	1,142
Supplies	4,000	3,541	459
Other services and charges	144,479	147,100	(2,621)
Total Friend of the Court	<u>324,342</u>	<u>325,362</u>	<u>(1,020)</u>
FOC/Medical Enforce:			
Personnel services	15,800	12,959	2,841
Office supplies	200	456	(256)
Other services and charges	3,500	3,911	(411)
Total FOC/Medical Enforce	<u>19,500</u>	<u>17,326</u>	<u>2,174</u>
Probate Court:			
Personnel services	313,037	310,868	2,169
Office supplies	5,500	6,135	(635)
Other services and charges	24,996	19,213	5,783
Total Probate Court	<u>343,533</u>	<u>336,216</u>	<u>7,317</u>
TOTAL JUDICIAL	<u>1,319,758</u>	<u>1,303,273</u>	<u>16,485</u>
GENERAL GOVERNMENT:			
County Clerk:			
Personnel services	128,451	128,668	(217)
Supplies	4,200	2,208	1,992
Other services and charges	3,500	3,133	367
Total County Clerk	<u>136,151</u>	<u>134,009</u>	<u>2,142</u>
Equalization:			
Personnel services	111,633	111,366	267
Supplies	10,000	6,560	3,440
Other services and charges	4,198	3,383	815
Total Equalization	<u>125,831</u>	<u>121,309</u>	<u>4,522</u>

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Elections:			
Personnel services	\$ 1,500	\$ 750	\$ 750
Office supplies	20,000	9,694	10,306
Other services and charges	3,900	2,475	1,425
Total Elections	<u>25,400</u>	<u>12,919</u>	<u>12,481</u>
Register of Deeds:			
Personnel services	108,432	108,177	255
Supplies	1,300	1,198	102
Other services and charges	2,600	863	1,737
Total Register of Deeds	<u>112,332</u>	<u>110,238</u>	<u>2,094</u>
Monumentation/Remonumentation:			
Professional services	86,286	84,980	1,306
Other services and charges	5,000	4,148	852
Total Monumentation/Remonumentation	<u>91,286</u>	<u>89,128</u>	<u>2,158</u>
Record Copying:			
Supplies	300	-	300
Other services and charges	12,095	11,695	400
Total Record Copying	<u>12,395</u>	<u>11,695</u>	<u>700</u>
Mailing			
Supplies	34,000	35,723	(1,723)
Other services and charges	1,200	808	392
Total Mailing	<u>35,200</u>	<u>36,531</u>	<u>(1,331)</u>
Courthouse and Grounds:			
Personnel services	67,610	68,026	(416)
Supplies	17,500	14,715	2,785
Other services and charges	100,500	105,843	(5,343)
Total Courthouse and Grounds	<u>185,610</u>	<u>188,584</u>	<u>(2,974)</u>
County Properties:			
Personnel services	30,652	29,193	1,459
Other services and charges	2,000	6,740	(4,740)
Total County Properties	<u>32,652</u>	<u>35,933</u>	<u>(3,281)</u>
Treasurer:			
Personnel services	136,108	138,749	(2,641)
Supplies	2,100	1,889	211
Other services and charges	6,200	6,124	76
Total Treasurer	<u>144,408</u>	<u>146,762</u>	<u>(2,354)</u>
Controller:			
Personnel services	185,732	183,153	2,579
Supplies	1,900	1,077	823
Other services and charges	8,400	7,635	765
Total Controller	<u>196,032</u>	<u>191,865</u>	<u>4,167</u>

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Drain Commissioner:			
Personnel services	\$ 9,608	\$ 10,157	\$ (549)
Supplies	100	134	(34)
Other services and charges	2,300	1,075	1,225
Total Drain Commissioner	<u>12,008</u>	<u>11,366</u>	<u>642</u>
Prosecuting Attorney:			
Personnel services	195,973	192,564	3,409
Supplies	5,000	4,154	846
Other services and charges	9,900	6,244	3,656
Total Prosecuting Attorney	<u>210,873</u>	<u>202,962</u>	<u>7,911</u>
TOTAL GENERAL GOVERNMENT	<u>1,320,178</u>	<u>1,293,301</u>	<u>26,877</u>
PUBLIC SAFETY:			
Law Enforcement:			
Sheriff:			
Personnel services	582,446	589,923	(7,477)
Supplies	3,300	3,486	(186)
Other services and charges	106,800	106,495	305
Total Sheriff	<u>692,546</u>	<u>699,904</u>	<u>(7,358)</u>
Sheriff - Secondary Roads:			
Personnel services	136,525	134,840	1,685
Supplies	-	-	-
Other services and charges	5,600	6,161	(561)
Total Sheriff - Secondary Roads	<u>142,125</u>	<u>141,001</u>	<u>1,124</u>
Snowmobile Safety:			
Personnel services	23,600	10,002	13,598
Other services and charges	4,238	2,708	1,530
Total Snowmobile Safety	<u>27,838</u>	<u>12,710</u>	<u>15,128</u>
Total Law Enforcement	<u>862,509</u>	<u>853,615</u>	<u>8,894</u>
Corrections:			
Jail:			
Personnel services	368,044	363,701	4,343
Supplies	9,200	9,165	35
Other services and charges	147,892	155,000	(7,108)
Total Corrections	<u>525,136</u>	<u>527,866</u>	<u>(2,730)</u>
Protective:			
Marine Safety:			
Personnel services	12,545	8,414	4,131
Other services and charges	7,150	8,776	(1,626)
Total Marine Safety	<u>19,695</u>	<u>17,190</u>	<u>2,505</u>

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Mine Inspector:			
Personnel services	\$ 8,787	\$ 6,966	\$ 1,821
Other services and charges	2,000	619	1,381
Total Mine Inspector	10,787	7,585	3,202
Building Official:			
Personnel services	94,000	96,255	(2,255)
Supplies	2,100	1,948	152
Other services and charges	99,900	100,384	(484)
Total Building Official	196,000	198,587	(2,587)
Civil Defense:			
Personnel services	24,835	24,702	133
Supplies	200	152	48
Other services and charges	18,865	15,071	3,794
Total Civil Defense	43,900	39,925	3,975
Animal Control:			
Other services and charges	14,000	15,510	(1,510)
Total Animal Control	14,000	15,510	(1,510)
Total Protective	284,382	278,797	5,585
TOTAL PUBLIC SAFETY	1,672,027	1,660,278	11,749
PUBLIC WORKS:			
Personnel services	30,661	30,345	316
Supplies	50	-	50
Other services and charges	3,500	3,682	(182)
TOTAL PUBLIC WORKS	34,211	34,027	184
HEALTH AND WELFARE:			
Commission on Aging:			
Other services and charges	2,000	2,000	-
TOTAL HEALTH AND WELFARE	2,000	2,000	-
RECREATION AND CULTURE:			
Cooperative Extension Services:			
Personnel services	30,696	30,385	311
Supplies	1,300	1,275	25
Other services and charges	26,900	23,057	3,843
Total Cooperative Extension Services	58,896	54,717	4,179

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Contributions to Others:			
Substance abuse	\$ 75,109	\$ 75,110	\$ (1)
Western UP. Planning and Development	9,838	9,838	-
UPCAP	1,100	1,100	-
Recreation and Development Council	300	300	-
Veteran's Flags	500	500	-
C.C. Veteran's Association	2,000	2,000	-
Total Contributions to Others	88,847	88,848	(1)
TOTAL RECREATION AND CULTURE	147,743	143,565	4,178
OTHER:			
Fringe Benefits:			
Social security	228,571	222,063	6,508
Hospitalization	525,285	516,427	8,858
Life insurance	7,000	6,000	1,000
Workmen's compensation	21,000	15,169	5,831
Health services	1,200	1,202	(2)
Retirement	436,632	441,160	(4,528)
Total Fringe Benefits	1,219,688	1,202,021	17,667
Special Appropriations:			
Cigarette tax	14,927	15,892	(965)
Jury commission	5,000	3,926	1,074
Medical examiner	20,000	18,860	1,140
Veteran's burials	16,000	16,344	(344)
Copper Country Mental Health Authority	164,495	164,495	-
Total Special Appropriations	220,422	219,517	905
Insurance and bonds	122,500	115,629	6,871
Refunds	17,450	16,232	1,218
Miscellaneous	14,200	15,184	(984)
TOTAL OTHER	1,594,260	1,568,583	25,677
CAPITAL OUTLAY	213,628	311,528	(97,900)
DEBT SERVICE	114,438	130,125	(15,687)
TOTAL EXPENDITURES	6,522,943	6,535,229	(12,286)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,987)	191,191	235,178
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	118,800	118,800

COUNTY OF HOUGHTON, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Transfers in:			
Prescription Drug Fund	\$ 1,000	\$ 1,000	\$ -
Revenue Sharing Fund	633,111	633,111	-
Family Counseling Fund	3,000	3,000	-
Solid Waste Transfer Fund	70,000	70,000	-
Delinquent Tax Revolving Funds	325,000	125,000	(200,000)
Total Operating Transfers In	<u>1,032,111</u>	<u>832,111</u>	<u>(200,000)</u>
Transfers (out):			
Tri-County Work Camp Fund	(270,000)	(271,418)	(1,418)
ROD Automation Fund	(40,000)	(41,190)	(1,190)
Law Library Fund	(11,000)	(12,593)	(1,593)
Patrol Car Fund	(23,016)	(23,016)	-
Department of Health and Human Services Fund	(56,000)	(56,000)	-
Child Care Fund	(305,000)	(305,000)	-
Airport Fund	(200,000)	(200,000)	-
Total Operating Transfers (Out)	<u>(905,016)</u>	<u>(909,217)</u>	<u>(4,201)</u>
Transfers to Component Units:			
Western UP. District Health	(174,201)	(174,201)	-
Total Operating Transfers to Component Units	<u>(174,201)</u>	<u>(174,201)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(47,106)</u>	<u>(132,507)</u>	<u>(85,401)</u>
CHANGE IN FUND BALANCE	<u>(91,093)</u>	<u>58,684</u>	<u>149,777</u>
Fund balance, beginning of year	<u>350,732</u>	<u>394,214</u>	<u>(43,482)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 259,639</u></u>	<u><u>\$ 452,898</u></u>	<u><u>\$ 106,295</u></u>

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,448,530	\$ 24,284	\$ 141,832	\$ 1,614,646
Receivables	22,087	10,000	-	32,087
Due from State	30,101	-	-	30,101
Due from other funds	43,476	-	-	43,476
Loans receivable	171,204	-	-	171,204
TOTAL ASSETS	<u>\$ 1,715,398</u>	<u>\$ 34,284</u>	<u>\$ 141,832</u>	<u>\$ 1,891,514</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash overdraft	\$ 11,539	\$ -	\$ -	\$ 11,539
Accounts payable	332,866	-	12,425	345,291
Accrued payroll and related	3,637	-	-	3,637
Accrued sick and vacation	2,541	-	-	2,541
Deferred revenue	171,204	-	-	171,204
TOTAL LIABILITIES	<u>521,787</u>	<u>-</u>	<u>12,425</u>	<u>534,212</u>
FUND BALANCE:				
Restricted:	27,295	34,284	-	61,579
Unreserved:	1,166,316	-	129,407	1,295,723
TOTAL FUND BALANCE	<u>1,193,611</u>	<u>34,284</u>	<u>129,407</u>	<u>1,357,302</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,715,398</u>	<u>\$ 34,284</u>	<u>\$ 141,832</u>	<u>\$ 1,891,514</u>

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Property taxes	\$ 1,078,885	\$ -	\$ -	\$ 1,078,885
Federal sources	424,875	-	-	424,875
State sources	175,970	-	-	175,970
Local sources	10,380	80,525	10,000	100,905
Charges for services	332,716	-	8,743	341,459
Interest	22,107	1,233	213	23,553
Other	18,175	-	-	18,175
TOTAL REVENUES	2,063,108	81,758	18,956	2,163,822
EXPENDITURES:				
Judicial	19,497	-	-	19,497
General government	337,922	-	-	337,922
Public safety	763,497	-	-	763,497
Health and welfare	374,071	-	-	374,071
Community and economic development	220,736	-	-	220,736
Capital Outlay	-	-	40,202	40,202
Debt service	-	93,750	4,295	98,045
TOTAL EXPENDITURES	1,715,723	93,750	44,497	1,853,970
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	347,385	(11,992)	(25,541)	309,852
OTHER FINANCING SOURCES (USES):				
Transfer in	709,217	-	-	709,217
Transfer in (out)	(875,501)	-	-	(875,501)
TOTAL OTHER FINANCING SOURCES (USES)	(166,284)	-	-	(166,284)
CHANGE IN FUND BALANCE	181,101	(11,992)	(25,541)	143,568
Fund balance, beginning of year	1,012,510	46,276	154,948	1,213,734
FUND BALANCE, END OF YEAR	\$ 1,193,611	\$ 34,284	\$ 129,407	\$ 1,357,302

County of Houghton, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2006

	Prescription Drugs Fund	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	ALERT Fund	ORV Equipment Fund	Friend of the Court Fund	Hazard Mitigation Grant Fund	Houghton County Arts Grant Fund	2006 Delinquent Property Tax Sale Fund
ASSETS												
Cash and cash equivalents	\$ 673	\$ 5,246	\$ 104,304	\$ -	\$ 8,160	\$ 3,097	\$ 12,881	\$ 3,035	\$ 27,301	\$ -	\$ 138	\$ 234,255
Receivables	-	-	1,500	1,970	-	-	-	-	-	-	-	16,550
Due from State	-	-	5,329	-	-	-	-	-	563	-	-	-
Due from other funds	-	-	-	15,133	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 673	\$ 5,246	\$ 111,133	\$ 17,103	\$ 8,160	\$ 3,097	\$ 12,881	\$ 3,035	\$ 27,864	\$ -	\$ 138	\$ 250,805
LIABILITIES AND FUND BALANCE												
LIABILITIES:												
Cash overdraft	\$ -	\$ -	\$ -	\$ 7,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	1,817	3,158	-	-	-	-	24	-	-	299,002
Accrued payroll and related	-	-	-	3,637	-	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	2,541	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	1,817	17,103	-	-	-	-	24	-	-	299,002
FUND BALANCE:												
Restricted	673	5,246	27,295	-	8,160	3,097	12,881	3,035	27,840	-	138	(48,197)
Unreserved	673	5,246	109,316	-	8,160	3,097	12,881	3,035	27,840	-	138	(48,197)
TOTAL FUND BALANCE	673	5,246	109,316	-	8,160	3,097	12,881	3,035	27,840	-	138	(48,197)
TOTAL LIABILITIES AND FUND BALANCE	\$ 673	\$ 5,246	\$ 111,133	\$ 17,103	\$ 8,160	\$ 3,097	\$ 12,881	\$ 3,035	\$ 27,864	\$ -	\$ 138	\$ 250,805

County of Houghton, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2005

	ROD Automation Fund	Airport Passenger Facility Charge Fund	Law Library Fund	Patrol Car Fund	Corrections Officers Training Fund	Justice Training Fund	Revenue Sharing Fund	CDBG Housing Fund	Department of Human Services Fund	Child Care Fund	MSHDA R.R. Fund
ASSETS											
Cash and cash equivalents	\$ 73,858	\$ -	\$ -	\$ -	\$ 9,641	\$ 4,391	\$ 689,805	\$ 13,445	\$ 109,730	\$ -	\$ 22,717
Receivables	-	-	-	-	610	-	-	-	-	1,457	-
Due from State	-	-	-	-	-	-	-	-	-	23,330	-
Due from other funds	-	-	2,093	-	-	-	-	-	-	26,250	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 73,858	\$ -	\$ 2,093	\$ -	\$ 10,251	\$ 4,391	\$ 689,805	\$ 13,445	\$ 109,730	\$ 51,037	\$ 22,717
LIABILITIES AND FUND BALANCE											
LIABILITIES:											
Cash overdraft	\$ -	\$ -	\$ 875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,018	\$ -
Accounts payable	-	-	1,218	-	-	348	-	-	586	26,713	-
Accrued payroll and related	-	-	-	-	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	2,093	-	-	348	-	-	586	28,731	-
FUND BALANCE:											
Restricted	73,858	-	-	-	10,251	4,043	689,805	13,445	109,144	22,306	22,717
Unreserved	73,858	-	-	-	10,251	4,043	689,805	13,445	109,144	22,306	22,717
TOTAL FUND BALANCE	73,858	-	-	-	10,251	4,043	689,805	13,445	109,144	22,306	22,717
TOTAL LIABILITIES AND FUND BALANCE	\$ 73,858	\$ -	\$ 2,093	\$ -	\$ 10,251	\$ 4,391	\$ 689,805	\$ 13,445	\$ 109,730	\$ 51,037	\$ 22,717

County of Houghton, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2005

ASSETS	Veteran's Trust Fund	WMD Grant Fund	Family Counseling Fund	Economic Development Revolving Loan Fund	Total
Cash and cash equivalents	\$ 844	\$ -	\$ 17,783	\$ 107,226	\$ 1,448,530
Receivables	-	-	-	-	22,087
Due from State	-	879	-	-	30,101
Due from other funds	-	-	-	-	43,476
Loans receivable	-	-	-	171,204	171,204
TOTAL ASSETS	\$ 844	\$ 879	\$ 17,783	\$ 278,430	\$ 1,715,398
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Cash overdraft	\$ -	\$ 879	\$ -	\$ -	\$ 11,539
Accounts payable	-	-	-	-	332,866
Accrued payroll and related	-	-	-	-	3,637
Accrued sick and vacation	-	-	-	-	2,541
Deferred revenue	-	-	-	171,204	171,204
TOTAL LIABILITIES	-	879	-	171,204	521,787
FUND BALANCE:					
Restricted	844	-	17,783	107,226	27,295
Unreserved	844	-	17,783	107,226	1,166,316
TOTAL FUND BALANCE	844	-	17,783	107,226	1,193,611
TOTAL LIABILITIES AND FUND BALANCE	\$ 844	\$ 879	\$ 17,783	\$ 278,430	\$ 1,715,398

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2006

	Prescription Drugs Fund	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	ALERT Fund	ORV Equipment Fund	Friend of the Court Fund	Hazard Mitigation Grant Fund
REVENUES:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	35,853	-	-	-	-	-	10,163
State sources	-	-	117,224	-	-	-	-	-	1,412	-
Local sources	-	-	-	-	10,290	-	90	-	-	-
Charges for services	2,280	-	12,675	30,737	-	-	-	1,580	6,815	-
Interest	-	-	-	-	88	38	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,280	-	129,899	66,590	10,378	38	90	1,580	8,027	10,163
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	-	-	-
General government	-	17	-	-	-	-	-	-	2,357	-
Public safety	-	-	119,300	338,009	6,883	-	911	-	-	10,163
Health and welfare	2,001	-	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,001	17	119,300	338,009	6,883	-	911	-	2,357	10,163
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	279	(17)	10,599	(271,419)	3,485	38	(821)	1,580	5,670	-
OTHER FINANCING SOURCES (USES):										
Transfer in	(1,000)	-	-	271,418	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	-	-	271,418	-	-	-	-	-	-
CHANGES IN FUND BALANCE	(721)	(17)	10,599	(1)	3,485	38	(821)	1,580	5,670	-
Fund balance, beginning of year	1,394	5,263	98,717	1	4,675	3,059	13,702	1,455	22,170	-
FUND BALANCE, END OF YEAR	\$ 673	\$ 5,246	\$ 109,316	\$ -	\$ 8,160	\$ 3,097	\$ 12,881	\$ 3,035	\$ 27,840	\$ -

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2008

	Houghton County Arts Grant Fund	2005 Delinquent Property Tax Sale Fund	ROD Automation Fund	Airport Passenger Facility Charge Fund	Law Library Fund	Patrol Car Fund	Corrections Officers Training Fund	Justice Training Fund	Revenue Sharing Fund	CDBG Housing Fund
REVENUES:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,078,885	\$ -
Federal sources	-	-	-	-	-	27,000	-	-	-	120,315
State sources	-	-	-	-	-	-	-	4,566	-	-
Local sources	-	-	-	-	-	-	-	-	-	-
Charges for services	-	250,050	-	-	4,500	-	8,000	-	-	-
Interest	-	755	2,296	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES		250,805	2,296		4,500	27,000	8,000	4,566	1,078,885	120,315
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	-	-	-
General government	-	299,002	38,903	-	17,140	-	-	-	-	-
Public safety	-	-	-	-	-	50,016	2,069	4,592	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-	-	120,315
TOTAL EXPENDITURES		299,002	38,903		17,140	50,016	2,069	4,592	-	120,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(48,197)	(38,607)		(12,640)	(23,016)	5,931	(26)	1,078,885	
OTHER FINANCING SOURCES (USES):										
Transfer in	-	-	41,190	-	12,593	23,016	-	-	-	-
Transfer (out)	-	-	-	(238,390)	-	-	-	-	(633,111)	-
TOTAL OTHER FINANCING SOURCES (USES)		-	41,190	(238,390)	12,593	23,016	-	-	(633,111)	-
CHANGES IN FUND BALANCE		(48,197)	4,583	(238,390)	(47)	-	5,931	(26)	445,774	-
Fund balance, beginning of year	138	-	69,275	238,390	47	-	4,320	4,069	244,031	13,445
FUND BALANCE, END OF YEAR	138	(48,197)	73,858	\$ -	\$ -	\$ -	10,251	4,043	689,805	13,445

County of Houghton, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2006

	Department of Human Services Fund	Child Care Fund	MSHDA R.R. Fund	Veteran's Trust Fund	WMD Grant Fund	Family Counseling Fund	EDC Revolving Loan Fund	Total
REVENUES:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,078,895
Federal sources	-	-	-	-	231,544	-	-	424,875
State sources	13,879	26,724	-	12,165	-	-	-	175,970
Local sources	-	-	-	-	-	-	-	10,380
Charges for services	-	12,819	-	-	-	3,460	-	332,716
Interest	-	-	867	-	-	-	18,063	22,107
Other	-	-	-	-	-	-	18,175	18,175
TOTAL REVENUES	13,879	39,543	867	12,165	231,544	3,460	36,238	2,063,108
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	19,497
General government	-	-	-	-	-	-	-	337,922
Public safety	-	-	-	-	231,544	-	-	763,497
Health and welfare	37,342	322,902	-	11,499	-	327	-	374,071
Community and economic development	-	-	167	-	-	-	100,254	220,736
TOTAL EXPENDITURES	37,342	322,902	167	11,499	231,544	327	100,254	1,715,723
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,463)	(283,359)	700	666	-	3,133	(64,016)	347,385
OTHER FINANCING SOURCES (USES):								
Transfer in	56,000	305,000	-	-	-	-	-	709,217
Transfer (out)	-	-	-	-	-	(3,000)	-	(875,501)
TOTAL OTHER FINANCING SOURCES (USES)	56,000	305,000	-	-	-	(3,000)	-	(166,284)
CHANGES IN FUND BALANCE	32,537	21,641	700	666	-	133	(64,016)	181,101
Fund balance, beginning of year	76,607	665	22,017	178	-	17,650	171,242	1,012,510
FUND BALANCE, END OF YEAR	\$ 109,144	\$ 22,306	\$ 22,717	\$ 844	\$ -	\$ 17,783	\$ 107,226	\$ 1,193,611

COUNTY OF HOUGHTON, MICHIGAN

PRESCRIPTION DRUGS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charge for service	\$ 2,950	\$ 2,280	\$ (670)
TOTAL REVENUES	<u>2,950</u>	<u>2,280</u>	<u>(670)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>2,650</u>	<u>2,001</u>	<u>649</u>
TOTAL EXPENDITURES	<u>2,650</u>	<u>2,001</u>	<u>649</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>300</u>	<u>279</u>	<u>(21)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (out)	<u></u>	<u>(1,000)</u>	<u>(1,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
CHANGE IN FUND BALANCE	<u>300</u>	<u>(721)</u>	<u>(1,021)</u>
Fund balance, beginning of year	<u>1,394</u>	<u>1,394</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,694</u></u>	<u><u>\$ 673</u></u>	<u><u>\$ (1,021)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

PROSECUTOR'S FORFEITURE ACCOUNT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Other	\$ 1,000	\$ -	\$ (1,000)
TOTAL REVENUES	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
EXPENDITURES:			
General Government:			
Other services and charges	<u>1,000</u>	<u>17</u>	<u>983</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>17</u>	<u>983</u>
CHANGE IN FUND BALANCE	-	(17)	(17)
Fund balance, beginning of year	<u>5,263</u>	<u>5,263</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 5,263</u></u>	<u><u>\$ 5,246</u></u>	<u><u>\$ (17)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

TRI-COUNTY COMMUNITY CORRECTIONS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	<u>\$ 124,600</u>	<u>\$ 117,224</u>	<u>\$ (7,376)</u>
Charges for services			
Community service	12,150	10,600	(1,550)
Miscellaneous programs	800	2,075	1,275
Total Charges for Services	<u>12,950</u>	<u>12,675</u>	<u>(275)</u>
TOTAL REVENUES	<u>137,550</u>	<u>129,899</u>	<u>(7,651)</u>
EXPENDITURES:			
Public Safety:			
Personnel services	124,311	97,034	27,277
Supplies	2,800	2,431	369
Other services and charges	23,150	18,633	4,517
Capital outlay	<u>1,204</u>	<u>1,202</u>	<u>2</u>
TOTAL EXPENDITURES	<u>151,465</u>	<u>119,300</u>	<u>32,165</u>
CHANGE IN FUND BALANCE	<u>(13,915)</u>	<u>10,599</u>	<u>24,514</u>
Fund balance, beginning of year	<u>98,717</u>	<u>98,717</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 84,802</u></u>	<u><u>\$ 109,316</u></u>	<u><u>\$ 24,514</u></u>

COUNTY OF HOUGHTON, MICHIGAN

TRI-COUNTY WORK CAMP FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	\$ 35,852	\$ 35,853	\$ 1
Charges for services	<u>27,100</u>	<u>30,737</u>	<u>3,637</u>
TOTAL REVENUES	<u>62,952</u>	<u>66,590</u>	<u>3,638</u>
EXPENDITURES:			
Public Safety:			
Personnel services	300,084	302,195	(2,111)
Supplies	4,000	3,974	26
Other services and charges	<u>37,150</u>	<u>31,840</u>	<u>5,310</u>
TOTAL EXPENDITURES	<u>341,234</u>	<u>338,009</u>	<u>3,225</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(278,282)</u>	<u>(271,419)</u>	<u>6,863</u>
OTHER FINANCING SOURCES			
Transfer in	<u>270,000</u>	<u>271,418</u>	<u>1,418</u>
TOTAL OTHER FINANCING SOURCES	<u>270,000</u>	<u>271,418</u>	<u>1,418</u>
CHANGE IN FUND BALANCE	<u>(8,282)</u>	<u>(1)</u>	<u>8,281</u>
Fund balance, beginning of year	<u>1</u>	<u>1</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (8,281)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,281</u></u>

COUNTY OF HOUGHTON, MICHIGAN

SPECIAL EQUIPMENT & REWARD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Local sources			
Private sources	\$ 3,000	\$ 10,290	\$ 7,290
Interest			
Interest	50	88	38
TOTAL REVENUES	<u>3,050</u>	<u>10,378</u>	<u>7,328</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	8,500	6,893	1,607
TOTAL EXPENDITURES	<u>8,500</u>	<u>6,893</u>	<u>1,607</u>
CHANGE IN FUND BALANCE	<u>(5,450)</u>	<u>3,485</u>	<u>8,935</u>
Fund balance, beginning of year	<u>4,675</u>	<u>4,675</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (775)</u>	<u>\$ 8,160</u>	<u>\$ 8,935</u>

COUNTY OF HOUGHTON, MICHIGAN

DRUG ENFORCEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ 25	\$ 38	\$ 13
Sale of confiscated items	200	-	(200)
TOTAL REVENUES	<u>225</u>	<u>38</u>	<u>(187)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	200	-	200
TOTAL EXPENDITURES	<u>200</u>	<u>-</u>	<u>200</u>
CHANGE IN FUND BALANCE	25	38	13
Fund balance, beginning of year	<u>3,059</u>	<u>3,059</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,084</u></u>	<u><u>\$ 3,097</u></u>	<u><u>\$ 13</u></u>

COUNTY OF HOUGHTON, MICHIGAN

ALERT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Local Sources			
Contributions	<u>\$ 200</u>	<u>\$ 90</u>	<u>\$ (110)</u>
TOTAL REVENUES	<u>200</u>	<u>90</u>	<u>(110)</u>
EXPENDITURES:			
Public Safety			
Other services and charges	<u>800</u>	<u>911</u>	<u>(111)</u>
TOTAL EXPENDITURES	<u>800</u>	<u>911</u>	<u>(111)</u>
CHANGE IN FUND BALANCE	<u>(600)</u>	<u>(821)</u>	<u>(221)</u>
Fund balance, beginning of year	<u>13,702</u>	<u>13,702</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 13,102</u></u>	<u><u>\$ 12,881</u></u>	<u><u>\$ (221)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

ORV EQUIPMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ 1,300	\$ 1,580	\$ 280
TOTAL REVENUES	<u>1,300</u>	<u>1,580</u>	<u>280</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	1,300	1,580	280
Fund balance, beginning of year	<u>1,455</u>	<u>1,455</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,755</u></u>	<u><u>\$ 3,035</u></u>	<u><u>\$ 280</u></u>

COUNTY OF HOUGHTON, MICHIGAN

FRIEND OF THE COURT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources			
Grants	\$ 589	\$ 1,412	\$ 823
Charges for services			
Court charges	5,000	5,917	917
Court reimbursements	1,000	698	(302)
Total Charges for Services	6,000	6,615	615
TOTAL REVENUES	<u>6,589</u>	<u>8,027</u>	<u>1,438</u>
EXPENDITURES:			
Judicial:			
Personnel services	422	422	-
Other services and charges	2,100	1,935	165
TOTAL EXPENDITURES	<u>2,522</u>	<u>2,357</u>	<u>165</u>
CHANGE IN FUND BALANCE	<u>4,067</u>	<u>5,670</u>	<u>1,273</u>
Fund balance, beginning of year	22,170	22,170	-
FUND BALANCE, END OF YEAR	<u>\$ 26,237</u>	<u>\$ 27,840</u>	<u>\$ 1,273</u>

COUNTY OF HOUGHTON, MICHIGAN

HAZARD MITIGATION GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 10,163</u>	<u>\$ 10,163</u>	<u>\$ -</u>
TOTAL REVENUES	<u>10,163</u>	<u>10,163</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>10,163</u>	<u>10,163</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,163</u>	<u>10,163</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF HOUGHTON, MICHIGAN

HOUGHTON COUNTY ARTS GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Recreation and Culture:			
Other services and charges	-	-	-
TOTAL EXPENDITURES	-	-	-
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	138	138	-
FUND BALANCE, END OF YEAR	<u>\$ 138</u>	<u>\$ 138</u>	<u>\$ -</u>

COUNTY OF HOUGHTON, MICHIGAN

2006 DELINQUENT PROPERTY TAX SALE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services			
Delinquent property tax sale	\$ 232,250	\$ 250,050	\$ 17,800
Total Charges for Services	<u>232,250</u>	<u>250,050</u>	<u>17,800</u>
Interest			
Interest	<u>-</u>	<u>755</u>	<u>755</u>
Total Interest	<u>-</u>	<u>755</u>	<u>755</u>
TOTAL REVENUES	<u>232,250</u>	<u>250,805</u>	<u>18,555</u>
EXPENDITURES:			
General Government:			
Other services and charges	<u>-</u>	<u>299,002</u>	<u>(299,002)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>299,002</u>	<u>(299,002)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>232,250</u>	<u>(48,197)</u>	<u>(280,447)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>232,250</u>	<u>(48,197)</u>	<u>(280,447)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 232,250</u></u>	<u><u>\$ (48,197)</u></u>	<u><u>\$ (280,447)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

ROD AUTOMATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ -	\$ 2,296	\$ 2,296
TOTAL REVENUES	<u>-</u>	<u>2,296</u>	<u>2,296</u>
EXPENDITURES:			
General Government:			
Other services and charges	10,000	6,403	3,597
Capital outlay	62,500	32,500	30,000
TOTAL EXPENDITURES	<u>72,500</u>	<u>38,903</u>	<u>33,597</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(72,500)</u>	<u>(36,607)</u>	<u>35,893</u>
OTHER FINANCING SOURCES			
Transfers in	40,000	41,190	1,190
TOTAL OTHER FINANCING SOURCES	<u>40,000</u>	<u>41,190</u>	<u>1,190</u>
CHANGE IN FUND BALANCE	<u>(32,500)</u>	<u>4,583</u>	<u>37,083</u>
Fund balance, beginning of year	69,275	69,275	-
FUND BALANCE, END OF YEAR	<u>\$ 36,775</u>	<u>\$ 73,858</u>	<u>\$ 37,083</u>

COUNTY OF HOUGHTON, MICHIGAN

AIRPORT PASSENGER FACILITY CHARGE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Public Works:			
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING (USES):			
Transfer in	<u>(238,390)</u>	<u>(238,390)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(238,390)</u>	<u>(238,390)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(238,390)</u>	<u>(238,390)</u>	<u>-</u>
Fund balance, beginning of year	<u>238,390</u>	<u>238,390</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF HOUGHTON, MICHIGAN

LAW LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services			
Penal fines	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ -</u>
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>-</u>
EXPENDITURES:			
Judicial			
Supplies	<u>15,000</u>	<u>17,140</u>	<u>(2,140)</u>
TOTAL EXPENDITURES	<u>15,000</u>	<u>17,140</u>	<u>(2,140)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,500)</u>	<u>(12,640)</u>	<u>(2,140)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>11,000</u>	<u>12,593</u>	<u>1,593</u>
TOTAL OTHER FINANCING SOURCES	<u>11,000</u>	<u>12,593</u>	<u>1,593</u>
CHANGE IN FUND BALANCE	<u>500</u>	<u>(47)</u>	<u>(547)</u>
Fund balance, beginning of year	<u>47</u>	<u>47</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 547</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (547)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

PATROL CAR FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal Sources	\$ 27,000	\$ 27,000	\$ -
TOTAL REVENUES	<u>27,000</u>	<u>27,000</u>	<u>-</u>
EXPENDITURES:			
Public Safety			
Capital outlay	50,016	50,016	-
TOTAL EXPENDITURES	<u>50,016</u>	<u>50,016</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,016)</u>	<u>(23,016)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Transfers in	23,016	23,016	-
TOTAL OTHER FINANCING SOURCES	<u>23,016</u>	<u>23,016</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF HOUGHTON, MICHIGAN

CORRECTIONS OFFICERS TRAINING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services			
Booking fees	<u>\$ 6,500</u>	<u>\$ 8,000</u>	<u>\$ 1,500</u>
TOTAL REVENUES	<u>6,500</u>	<u>8,000</u>	<u>1,500</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>5,000</u>	<u>2,069</u>	<u>2,931</u>
TOTAL EXPENDITURES	<u>5,000</u>	<u>2,069</u>	<u>2,931</u>
CHANGE IN FUND BALANCE	<u>1,500</u>	<u>5,931</u>	<u>4,431</u>
Fund balance, beginning of year	<u>4,320</u>	<u>4,320</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 5,820</u></u>	<u><u>\$ 10,251</u></u>	<u><u>\$ 4,431</u></u>

COUNTY OF HOUGHTON, MICHIGAN

JUSTICE TRAINING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	<u>\$ 4,550</u>	<u>\$ 4,566</u>	<u>\$ 16</u>
TOTAL REVENUES	<u>4,550</u>	<u>4,566</u>	<u>16</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>4,000</u>	<u>4,592</u>	<u>(592)</u>
TOTAL EXPENDITURES	<u>4,000</u>	<u>4,592</u>	<u>(592)</u>
CHANGE IN FUND BALANCE	550	(26)	(576)
Fund balance, beginning of year	<u>4,069</u>	<u>4,069</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 4,619</u></u>	<u><u>\$ 4,043</u></u>	<u><u>\$ (576)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

REVENUE SHARING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	<u>\$ 1,157,696</u>	<u>\$ 1,078,885</u>	<u>\$ (78,811)</u>
TOTAL REVENUES	<u>1,157,696</u>	<u>1,078,885</u>	<u>(78,811)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,157,696</u>	<u>1,078,885</u>	<u>(78,811)</u>
OTHER FINANCING SOURCES:			
Transfers out	<u>(633,111)</u>	<u>(633,111)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(633,111)</u>	<u>(633,111)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>524,585</u>	<u>445,774</u>	<u>(78,811)</u>
Fund balance, beginning of year	<u>244,031</u>	<u>244,031</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 768,616</u></u>	<u><u>\$ 689,805</u></u>	<u><u>\$ (78,811)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

CDBG HOUSING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 120,315</u>	<u>\$ 120,315</u>	<u>\$ -</u>
TOTAL REVENUES	<u>120,315</u>	<u>120,315</u>	<u>-</u>
EXPENDITURES:			
Community and Economic Development:			
Other services and charges	<u>120,315</u>	<u>120,315</u>	<u>-</u>
TOTAL EXPENDITURES	<u>120,315</u>	<u>120,315</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>13,445</u>	<u>13,445</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 13,445</u></u>	<u><u>\$ 13,445</u></u>	<u><u>\$ -</u></u>

COUNTY OF HOUGHTON, MICHIGAN

DEPARTMENT OF HUMAN SERVICES FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	\$ -	\$ 13,879	\$ 13,879
TOTAL REVENUES	<u>-</u>	<u>13,879</u>	<u>13,879</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>-</u>	<u>37,342</u>	<u>(37,342)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>37,342</u>	<u>(37,342)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(23,463)</u>	<u>(23,463)</u>
OTHER FINANCING SOURCES:			
Transfers in		<u>56,000</u>	<u>(56,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>56,000</u>	<u>(56,000)</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>32,537</u>	<u>(79,463)</u>
Fund balance, beginning of year	<u>76,607</u>	<u>76,607</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 76,607</u></u>	<u><u>\$ 109,144</u></u>	<u><u>\$ (79,463)</u></u>

COUNTY OF HOUGHTON, MICHIGAN

CHILD CARE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources			
Basic grants	\$ 15,000	\$ 26,724	\$ 11,724
Total State Sources	<u>15,000</u>	<u>26,724</u>	<u>11,724</u>
Charges for services			
State ward chargeback	10,000	11,362	1,362
Miscellaneous chargeback	-	1,457	1,457
Total Charges for Services	<u>10,000</u>	<u>12,819</u>	<u>2,819</u>
TOTAL REVENUES	<u>25,000</u>	<u>39,543</u>	<u>14,543</u>
EXPENDITURES:			
Health and Welfare:			
Personnel services	64,532	62,806	1,726
Court supervised - family foster care	273,000	256,921	16,079
State ward expenditures	<u>5,000</u>	<u>3,175</u>	<u>1,825</u>
TOTAL EXPENDITURES	<u>342,532</u>	<u>322,902</u>	<u>19,630</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(317,532)</u>	<u>(283,359)</u>	<u>34,173</u>
OTHER FINANCING SOURCES			
Transfers in	<u>305,000</u>	<u>305,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>305,000</u>	<u>305,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(12,532)</u>	<u>21,641</u>	<u>34,173</u>
Fund balance, beginning of year	<u>665</u>	<u>665</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (11,867)</u></u>	<u><u>\$ 22,306</u></u>	<u><u>\$ 34,173</u></u>

COUNTY OF HOUGHTON, MICHIGAN

MSHDA R.R. FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Interest	<u>\$ 675</u>	<u>\$ 867</u>	<u>\$ 192</u>
TOTAL REVENUES	<u>675</u>	<u>867</u>	<u>192</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	<u>1,000</u>	<u>167</u>	<u>833</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>167</u>	<u>833</u>
CHANGE IN FUND BALANCE	<u>(325)</u>	<u>700</u>	<u>1,025</u>
Fund balance, beginning of year	<u>22,017</u>	<u>22,017</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 21,692</u></u>	<u><u>\$ 22,717</u></u>	<u><u>\$ 1,025</u></u>

COUNTY OF HOUGHTON, MICHIGAN

VETERAN'S TRUST FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	<u>\$ 10,000</u>	<u>\$ 12,165</u>	<u>\$ 2,165</u>
TOTAL REVENUES	<u>10,000</u>	<u>12,165</u>	<u>2,165</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>12,700</u>	<u>11,499</u>	<u>1,201</u>
TOTAL EXPENDITURES	<u>12,700</u>	<u>11,499</u>	<u>1,201</u>
CHANGE IN FUND BALANCE	<u>(2,700)</u>	<u>666</u>	<u>3,366</u>
Fund balance, beginning of year	<u>178</u>	<u>178</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (2,522)</u></u>	<u><u>\$ 844</u></u>	<u><u>\$ 3,366</u></u>

COUNTY OF HOUGHTON, MICHIGAN

WMD GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 231,629</u>	<u>\$ 231,544</u>	<u>\$ (85)</u>
TOTAL REVENUES	<u>231,629</u>	<u>231,544</u>	<u>(85)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>232,029</u>	<u>231,544</u>	<u>485</u>
TOTAL EXPENDITURES	<u>232,029</u>	<u>231,544</u>	<u>485</u>
CHANGE IN FUND BALANCE	<u>(400)</u>	<u>-</u>	<u>400</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (400)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 400</u></u>

COUNTY OF HOUGHTON, MICHIGAN

FAMILY COUNSELING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services			
Marriage licenses	\$ 3,100	\$ 3,460	\$ 360
TOTAL REVENUES	<u>3,100</u>	<u>3,460</u>	<u>360</u>
EXPENDITURES:			
Health and welfare:			
Other services and charges	<u>1,000</u>	<u>327</u>	<u>673</u>
TOTAL EXPENDITURES	<u>1,000</u>	<u>327</u>	<u>673</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,100</u>	<u>3,133</u>	<u>1,033</u>
OTHER FINANCING (USES):			
Transfer in (out)	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(900)</u>	<u>133</u>	<u>1,033</u>
Fund balance, beginning of year	<u>17,650</u>	<u>17,650</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 16,750</u></u>	<u><u>\$ 17,783</u></u>	<u><u>\$ 1,033</u></u>

COUNTY OF HOUGHTON, MICHIGAN

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest			
Interest - investments	\$ 15,365	\$ 6,614	\$ (8,751)
Interest - loans	9,015	11,449	2,434
Total Interest	<u>24,380</u>	<u>18,063</u>	<u>(6,317)</u>
Other Revenues			
Loan principal repayment	<u>11,520</u>	<u>18,175</u>	<u>6,655</u>
TOTAL REVENUES	<u>35,900</u>	<u>36,238</u>	<u>338</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	<u>101,000</u>	<u>100,254</u>	<u>746</u>
TOTAL EXPENDITURES	<u>101,000</u>	<u>100,254</u>	<u>746</u>
CHANGE IN FUND BALANCE	<u>(65,100)</u>	<u>(64,016)</u>	<u>1,084</u>
Fund balance, beginning of year	<u>171,242</u>	<u>171,242</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 106,142</u>	<u>\$ 107,226</u>	<u>\$ 1,084</u>

COUNTY OF HOUGHTON, MICHIGAN

SEWAGE DISPOSAL #1 BOND DEBT RETIREMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Local sources			
Local units	\$ 15,000	\$ 19,395	\$ 4,395
Torch lake sewage authority	69,000	61,130	(7,870)
Total Local Sources	<u>84,000</u>	<u>80,525</u>	<u>(3,475)</u>
Interest			
Interest	<u>1,000</u>	<u>1,233</u>	<u>233</u>
TOTAL REVENUES	<u>85,000</u>	<u>81,758</u>	<u>(3,242)</u>
EXPENDITURES:			
Debt Service:			
Principal retirement	85,000	85,000	-
Interest and fiscal charges	<u>8,750</u>	<u>8,750</u>	<u>-</u>
TOTAL EXPENDITURES	<u>93,750</u>	<u>93,750</u>	<u>-</u>
CHANGES IN FUND BALANCE	(8,750)	(11,992)	(3,242)
Fund balance, beginning of year	<u>46,276</u>	<u>46,276</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 37,526</u></u>	<u><u>\$ 34,284</u></u>	<u><u>\$ (3,242)</u></u>

COUNTY OF HOUGHTON, MICHIGAN
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

SEPTEMBER 30, 2006

	Airport Improvement Fund	Arena Project Fund	Building Authority Construction Fund	Total
ASSETS				
Cash and cash equivalents	\$ 131,963	\$ 8,402	\$ 1,467	\$ 141,832
TOTAL ASSETS	<u>\$ 131,963</u>	<u>\$ 8,402</u>	<u>\$ 1,467</u>	<u>\$ 141,832</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 12,425	\$ -	\$ -	\$ 12,425
TOTAL LIABILITIES	<u>12,425</u>	<u>-</u>	<u>-</u>	<u>12,425</u>
FUND BALANCE:				
Unreserved	119,538	8,402	1,467	129,407
TOTAL FUND BALANCE	<u>119,538</u>	<u>8,402</u>	<u>1,467</u>	<u>129,407</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 131,963</u>	<u>\$ 8,402</u>	<u>\$ 1,467</u>	<u>\$ 141,832</u>

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Airport Improvement Fund	Arena Project Fund	Building Authority Construction Fund	Total
REVENUES:				
Local sources				
Local share of project	\$ -	\$ 10,000	\$ -	\$ 10,000
Charges for services				
Miscellaneous services	8,743	-	-	8,743
Interest				
Interest	-	213	-	213
TOTAL REVENUES	<u>8,743</u>	<u>10,213</u>	<u>-</u>	<u>18,956</u>
EXPENDITURES:				
Capital outlay	12,765	27,437	-	40,202
Debt service	4,295	-	-	4,295
TOTAL EXPENDITURES	<u>17,060</u>	<u>27,437</u>	<u>-</u>	<u>44,497</u>
CHANGES IN FUND BALANCE	<u>(8,317)</u>	<u>(17,224)</u>	<u>-</u>	<u>(25,541)</u>
Fund balance, beginning of year	<u>127,855</u>	<u>25,626</u>	<u>1,467</u>	<u>154,948</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 119,538</u></u>	<u><u>\$ 8,402</u></u>	<u><u>\$ 1,467</u></u>	<u><u>\$ 129,407</u></u>

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	911 Fund	Solid Waste Transfer Fund	Airport Water/Sewer Fund	Airport Testing Fund	Passenger Facility Charge Fund	Marina Fund	Total
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ -	\$ 67,269	\$ -	\$ -	\$ 28,148	\$ 1,314	\$ 96,731
Accounts receivable (net)	66,366	42,349	8,194	-	8,800	-	125,709
Inventory	-	-	-	-	-	6,515	6,515
Prepaid expense	417	4,330	-	-	-	1,796	6,543
TOTAL CURRENT ASSETS	66,783	113,948	8,194	-	36,948	9,625	235,498
Non-Current Assets:							
Capital assets - net of accumulated depreciation	377,588	291,377	-	13,921	-	47,634	730,520
TOTAL NON-CURRENT ASSETS	377,588	291,377	-	13,921	-	47,634	730,520
TOTAL ASSETS	444,371	405,325	8,194	13,921	36,948	57,259	966,018
LIABILITIES							
Current Liabilities:							
Cash fund overdraft	10,188	-	11,820	-	-	-	22,008
Accounts payable	11,114	41,344	9,708	-	-	20,770	82,936
Due to other funds	-	136,791	-	-	134,296	-	271,087
Accrued payroll and related liabilities	526	1,938	127	-	-	708	3,299
Accrued sick and vacation	-	19,253	-	-	-	-	19,253
Current portion of bond and notes payable	195,759	17,398	-	-	-	-	213,157
Deferred revenue	15,347	-	-	-	-	-	15,347
TOTAL CURRENT LIABILITIES	232,934	216,724	21,655	-	134,296	21,478	627,087
Non-current Liabilities:							
Bonds and notes payable	16,812	-	-	-	-	-	16,812
TOTAL NON-CURRENT LIABILITIES	16,812	-	-	-	-	-	16,812
TOTAL LIABILITIES	249,746	216,724	21,655	-	134,296	21,478	643,899
NET ASSETS							
Invested in capital assets net of related debt	165,017	273,979	-	13,921	-	47,634	500,551
Unrestricted	29,608	(85,378)	(13,461)	-	(97,348)	(11,853)	(178,432)
TOTAL NET ASSETS	\$ 194,625	\$ 188,601	\$ (13,461)	\$ 13,921	\$ (97,348)	\$ 35,781	\$ 322,119

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	911 Fund	Solid Waste Transfer Fund	Airport Water/Sewer Fund	Airport Testing Fund	Passenger Facility Charge Fund	Maina Fund	Total
OPERATING REVENUES:							
Charges for services (net)	\$ 546,915	\$ 686,059	\$ 31,570	\$ -	\$ 97,827	\$ 226,483	\$ 1,568,854
State sources	44,422	-	-	-	-	-	44,422
Other operating revenue	-	-	6,122	-	-	1,031	7,153
TOTAL OPERATING REVENUES	591,337	686,059	37,692	-	97,827	227,514	1,620,429
OPERATING EXPENSES:							
Personnel services	90,113	168,632	1,803	-	-	39,487	300,035
Supplies	119	37,042	-	-	-	152,802	189,963
Other services and charges	334,496	365,329	60,367	-	440,019	45,000	1,245,211
Depreciation	71,952	36,175	-	1,685	-	3,164	112,976
TOTAL OPERATING EXPENSES	496,680	607,178	62,170	1,685	440,019	240,453	1,848,185
OPERATING INCOME (LOSS)	94,657	81,881	(24,478)	(1,685)	(342,192)	(12,939)	(227,756)
NON-OPERATING REVENUES (EXPENSES):							
Interest income	3,842	-	-	-	6,454	-	10,296
Interest expense	(8,695)	(979)	-	-	-	-	(9,674)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,853)	(979)	-	-	6,454	-	622
INCOME (LOSS) BEFORE TRANSFERS	89,804	57,902	(24,478)	(1,685)	(335,738)	(12,939)	(227,134)
Transfers in	-	-	-	-	238,390	-	238,390
Transfers (out)	-	(70,000)	-	-	-	-	(70,000)
CHANGE IN NET ASSETS	89,804	(12,098)	(24,478)	(1,685)	(97,348)	(12,939)	(58,744)
Net assets Beginning of year	104,821	200,699	11,017	15,806	-	48,720	380,863
NET ASSETS, END OF YEAR	\$ 194,625	\$ 188,601	\$ (13,461)	\$ 13,921	\$ (97,348)	\$ 35,781	\$ 322,119

COUNTY OF HOUGHTON, MICHIGAN

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	911 Fund	Solid Waste Transfer Fund	Airport Water/Sewer Fund	Airport Testing Fund	Passenger Facility Charge Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from charges for services	\$ 521,026	\$ 678,009	\$ 33,433	\$ -	\$ 89,027	\$ 226,483	\$ 1,547,978
Cash received from federal, state and local sources	44,422	-	-	-	-	-	44,422
Other operating revenues	-	-	6,122	-	-	1,031	7,153
Cash payments for personnel services	(90,021)	(165,795)	(1,676)	-	-	(39,040)	(296,532)
Cash payments for supplies	(119)	(37,042)	-	-	-	(152,963)	(189,963)
Cash payments to suppliers for goods and services	(343,878)	(382,023)	(50,946)	-	(440,019)	(25,893)	(1,224,759)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	129,430	113,149	(13,067)	-	(350,992)	9,779	(111,701)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Increase (decrease) in due to other funds	-	-	-	-	134,296	-	134,296
Transfers in (out)	-	(70,000)	-	-	238,390	-	168,390
NET CASH PROVIDED (USED) BY CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES	-	(70,000)	-	-	372,686	-	302,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Cash payments for capital assets	(10,211)	(1)	-	-	-	-	(10,212)
Principal payments on bonds and notes	(190,454)	(17,398)	-	-	-	-	(207,852)
Cash payments for interest expense	(8,695)	(979)	-	-	-	-	(9,674)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(209,360)	(18,378)	-	-	-	-	(227,738)
CASH FLOWS FROM INVESTING ACTIVITIES:							
(Increase) decrease in investments	100,989	-	-	-	-	-	100,989
Interest income	3,842	-	-	-	6,454	-	10,296
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	104,831	-	-	-	6,454	-	111,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,901	24,771	(13,067)	-	28,148	9,779	74,532
Cash and cash equivalents, beginning of year	(35,089)	42,498	1,247	-	-	(8,465)	191
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (10,188)	\$ 67,269	\$ (11,820)	\$ -	\$ 28,148	\$ 1,314	\$ 74,723
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 94,657	\$ 58,881	\$ (24,478)	\$ (1,685)	\$ (342,192)	\$ (12,939)	\$ (227,756)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	71,952	36,175	-	1,685	-	3,164	112,976
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	19,533	11,950	1,863	-	(8,800)	-	23,546
(Increase) decrease in inventory	-	-	-	-	-	2,637	2,637
(Increase) decrease in prepaid expenses	3,065	444	-	-	-	48	3,557
Increase (decrease) in accounts payable	(14,447)	2,862	9,421	-	-	16,422	14,258
Increase (decrease) in accrued payroll and related liabilities	92	50	127	-	-	447	716
Increase (decrease) in accrued sick and vacation	(44,422)	2,787	-	-	-	-	2,787
Increase (decrease) in deferred revenue	34,773	54,288	11,411	1,685	(8,800)	22,718	(44,422)
NET ADJUSTMENTS	129,430	113,149	(13,067)	-	(350,992)	9,779	(111,701)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 129,430	\$ 113,149	\$ (13,067)	\$ -	\$ (350,992)	\$ 9,779	\$ (111,701)

COUNTY OF HOUGHTON, MICHIGAN

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

ASSETS	1998 Delinquent Tax Revolving Fund	1999 Delinquent Tax Revolving Fund	2000 Delinquent Tax Revolving Fund	2001 Delinquent Tax Revolving Fund	2002 Delinquent Tax Revolving Fund	2003 Delinquent Tax Revolving Fund	2004 Delinquent Tax Revolving Fund	2005 Delinquent Tax Revolving Fund	2006 Delinquent Tax Revolving Fund	Total
Current Assets:										
Cash and cash equivalents	\$ 79,917	\$ 17,904	\$ 73,261	\$ 215,987	\$ 201,811	\$ 211,945	\$ 3,778	\$ -	\$ 1,365	\$ 805,968
Accrued interest receivable	-	-	-	-	7,884	8,004	35,990	52,222	-	104,100
Delinquent tax receivable	19,410	89,776	-	-	18,334	25,818	189,422	767,050	(1,295)	1,108,515
Due from other funds	-	-	-	-	21,017	-	-	200,000	-	221,017
TOTAL CURRENT ASSETS	99,327	107,680	73,261	215,987	249,046	245,767	229,190	1,019,272	70	2,239,600
TOTAL ASSETS	\$ 99,327	\$ 107,680	\$ 73,261	\$ 215,987	\$ 249,046	\$ 245,767	\$ 229,190	\$ 1,019,272	\$ 70	\$ 2,239,600
LIABILITIES										
Current Liabilities:										
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 659,177	\$ -	\$ 659,177
Due to others	-	-	-	-	-	23,635	9,000	-	-	32,635
Due to other funds	17,848	17,904	73,261	215,987	-	-	-	21,017	-	346,017
TOTAL CURRENT LIABILITIES	17,848	17,904	73,261	215,987	-	23,635	9,000	680,194	-	1,037,829
TOTAL LIABILITIES	17,848	17,904	73,261	215,987	-	23,635	9,000	680,194	-	1,037,829
NET ASSETS	81,479	89,776	-	-	249,046	222,132	220,190	339,078	70	1,201,771
Unrestricted	\$ 81,479	\$ 89,776	\$ -	\$ -	\$ 249,046	\$ 222,132	\$ 220,190	\$ 339,078	\$ 70	\$ 1,201,771

COUNTY OF HOUGHTON, MICHIGAN
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
OPERATING REVENUES:										
Penalties and interest on taxes	\$ 7,374	\$ -	\$ -	\$ -	\$ (331)	\$ 18,044	\$ 48,331	\$ 86,958	\$ 13	\$ 160,389
Collection fees on taxes	558	-	-	-	15	4,133	18,685	36,688	52	60,121
Miscellaneous charges	-	-	-	-	15	2,517	8,792	20	-	11,344
Interest earned	2,771	696	2,846	8,809	7,799	6,634	(6,460)	15,920	5	39,020
	<u>10,703</u>	<u>696</u>	<u>2,846</u>	<u>8,809</u>	<u>7,498</u>	<u>31,328</u>	<u>69,328</u>	<u>139,596</u>	<u>70</u>	<u>270,874</u>
TOTAL OPERATING REVENUES										
OPERATING EXPENSES:										
Other services and charges	226	67	(1,198)	27,618	(276)	(3,567)	(27,741)	548	-	(4,323)
	<u>226</u>	<u>67</u>	<u>(1,198)</u>	<u>27,618</u>	<u>(276)</u>	<u>(3,567)</u>	<u>(27,741)</u>	<u>548</u>	<u>-</u>	<u>(4,323)</u>
TOTAL OPERATING EXPENSES										
OPERATING INCOME (LOSS) BEFORE TRANSFERS										
Transfers in	10,477	629	4,044	(18,809)	7,774	34,895	97,069	139,048	70	275,197
Transfers (out)	45,838	-	-	-	-	-	-	200,000	-	245,838
	<u>(17,848)</u>	<u>(63,742)</u>	<u>(73,261)</u>	<u>(215,987)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,888)</u>
CHANGE IN NET ASSETS										
Net assets, beginning of year	38,467	(63,113)	(69,217)	(234,796)	7,774	34,895	97,069	339,048	70	150,197
	<u>43,012</u>	<u>152,889</u>	<u>69,217</u>	<u>234,796</u>	<u>241,272</u>	<u>187,237</u>	<u>123,121</u>	<u>30</u>	<u>-</u>	<u>1,051,574</u>
NET ASSETS, END OF YEAR										
	\$ 81,479	\$ 89,776	\$ -	\$ -	\$ 249,046	\$ 222,132	\$ 220,190	\$ 339,078	\$ 70	\$ 1,201,771

COUNTY OF HOUGHTON, MICHIGAN
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash received from penalties, interest and fees on taxes	\$ 7,932	\$ -	\$ -	\$ -	\$ 3,353	\$ 37,845	\$ 77,195	\$ 71,434	\$ 65	\$ 197,824
Interest earned	2,771	606	2,846	8,809	7,799	6,834	(6,460)	15,920	5	39,020
Miscellaneous charges	-	-	-	-	15	2,517	8,792	20	-	11,344
Other operating expenses	(226)	(67)	1,198	(27,618)	276	3,867	27,741	(948)	-	4,323
Cash received from (paid for) delinquent taxes	(36,171)	45,838	(1,445)	(1,792)	18,556	121,585	479,518	(787,884)	1,295	(140,490)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(25,694)	46,467	2,599	(20,601)	29,999	172,158	586,786	(681,058)	1,365	112,021
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
Increase (decrease) in due to/from other funds	17,848	17,904	73,261	215,987	(21,017)	-	-	(178,983)	-	125,000
Transfers in (out)	27,990	(63,742)	(73,261)	(215,987)	-	-	-	200,000	-	(125,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	45,838	(45,838)	-	-	(21,017)	-	-	21,017	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:										
(Increase) decrease in investments	-	-	-	-	-	11,854	-	864	-	12,518
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	-	-	11,854	-	864	-	12,518
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,144	629	2,599	(20,601)	8,982	183,812	586,786	(659,177)	1,365	124,539
Cash and cash equivalents, beginning of year	59,773	17,275	70,862	236,588	192,829	28,133	(583,008)	-	-	22,252
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 79,917	\$ 17,904	\$ 73,261	\$ 215,987	\$ 201,811	\$ 211,945	\$ 3,778	\$ (659,177)	\$ 1,365	\$ 146,791
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:										
Operating income (loss)	\$ 10,477	\$ 629	\$ 4,044	\$ (18,808)	\$ 7,774	\$ 34,895	\$ 97,089	\$ 139,048	\$ 70	\$ 275,197
Adjustments to reconcile operating income to net cash provided by operating activities:										
Change in assets and liabilities:										
(Increase) decrease in accrued interest receivable	-	-	-	-	3,669	15,668	10,198	(52,222)	-	(22,686)
(Increase) decrease in delinquent taxes receivable	(38,171)	45,838	-	-	18,532	98,644	470,518	(767,884)	-	(170,123)
Increase (decrease) in due to others	-	-	(1,445)	(1,792)	(376)	22,951	9,000	-	1,295	29,633
NET ADJUSTMENTS	(38,171)	45,838	(1,445)	(1,792)	22,225	137,263	489,717	(820,106)	1,295	(163,176)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (25,694)	\$ 46,467	\$ 2,599	\$ (20,601)	\$ 29,999	\$ 172,158	\$ 586,786	\$ (681,058)	\$ 1,365	\$ 112,021

COUNTY OF HOUGHTON, MICHIGAN

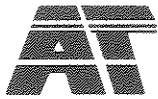
FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Trust & Agency Fund	Library Fund	Payroll Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,372,092	\$ 65,970	\$ 3,473	\$ 1,441,535
TOTAL ASSETS	<u>\$ 1,372,092</u>	<u>\$ 65,970</u>	<u>\$ 3,473</u>	<u>\$ 1,441,535</u>
LIABILITIES				
Due to others	\$ 1,372,092	\$ 65,970	\$ -	\$ 1,438,062
Due to other funds	-	-	3,473	3,473
TOTAL LIABILITIES	<u>\$ 1,372,092</u>	<u>\$ 65,970</u>	<u>\$ 3,473</u>	<u>\$ 1,441,535</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Houghton, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County of Houghton, Michigan's basic financial statements and have issued our report thereon dated February 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that in our judgment, could adversely affect the County of Houghton, Michigan's ability to initiate, record, process, and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying report to management as items 06-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

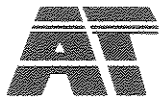
As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying report to management as items 06-01 and 06-02.

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan

This report is intended solely for the information and use of management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 16, 2007



PARTNERS

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County of Houghton, Michigan
Report to Management Letter
For the Year Ended September 30, 2005

To the Honorable Chairman and Members of
The Board of Commissioners
County of Houghton, Michigan
Houghton, MI 49931

In planning and performing our audit of the financial statements of County of Houghton, Michigan for the year ended September 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect County of Houghton, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

06-03 Condition/Criteria: At September 30, 2006 the County of Houghton, Michigan had a cash deficits in several of their funds, as shown in Footnote N to the financial statements.

Effect: The advances become permanent working capital loans.

Cause of Condition: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Recommendation: The County of Houghton, Michigan needs to monitor all advances such that they do not become permanent working capital loans.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Eric Forsberg, Controller
- Corrective Action Planned:
 - The timing of advances and accounts receivable payments will be more closely monitored.
- Anticipated Completion Date:
 - September 30, 2007

Instances of Non-compliance

06-01 Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County of Houghton, Michigan had actual expenditures and budgeted expenditures as shown in Footnote P to the Financial Statements. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended September 30, 2006, the County of Houghton, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The County of Houghton, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County of Houghton, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Eric Forsberg, Controller
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - September 30, 2007

06-02 Condition/Criteria: At September 30, 2006 the County of Houghton, Michigan had an unrestricted equity deficit in several of their funds, as shown in Footnote O to the financial statements. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the County of Houghton, Michigan has not filed such a plan.

Effect: The County of Houghton, Michigan is not in compliance with State Law.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current and prior years.

Recommendation: The County of Houghton, Michigan needs to either increase operating revenues or decrease operating expenditures in the future.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Eric Forsberg, Controller
- Corrective Action Planned:
 - The revenue and expenditures will be more closely monitored.

To the Honorable Chairman and Members of
The Board of Commissioners
County of Houghton, Michigan

- Anticipated Completion Date:
 - September 30, 2007
- The following reportable condition was noted:

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of Houghton County Board of Commissioners, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the County's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tushman & Company, PLLC
Certified Public Accountants

February 16, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MILWAUKEE

February 16, 2007

To the Honorable Chairman and Members
Of the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the financial statements of the County of Houghton; Michigan for the year ended September 30, 2006, and has issued our report thereon dated February 16, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Houghton, Michigan's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Houghton, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on The County of Houghton, Michigan's compliance with those requirements.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Houghton, Michigan's are

described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the County of Houghton, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

An audit adjustment may or may not indicate matters that could have a significant effect on the County of Houghton; Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Houghton, Michigan's, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Houghton, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Houghton, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the County of Houghton, Michigan Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants